smiths medical
bringing technology to life

SMITHS GROUP INVESTOR DAY – 28 June 2011

Smiths Medical Presentation by Srini Seshadri, Stuart Morris-Hipkins & Rob White

SLIDE – TITLE

SLIDE – SETTING THE STAGE – SRINI SESHADRI PRESIDENT, SMITHS MEDICAL

Good Morning.

I am Srini Seshadri, President of Smiths Medical.

Together with Stuart Morris-Hipkins, our VP of Global Sales & Marketing and Rob White, our VP of Finance, I believe I have an exciting story of consistent value creation in a market which offers very good long term prospects.

SLIDE – SMITHS MEDICAL: BRINGING TECHNOLOGY TO LIFE

Smiths Medical makes interventional devices which help to save lives and alleviate human suffering.

Although we have a very diverse portfolio created over the last 50 years, we can describe our mission as ensuring successful interventions in 3 key ways:

1. By delivering medication for chemotherapy or to relieve pain,

both acute and chronic.

2. By providing vital care by managing air flow or blood flow to patients

3. And, keeping both patients and healthcare professionals safe from the many dangerous effects of needlesticks.

We have a long history of innovation in all 3 key areas and in many cases, we were among the inventors of the segment. It is equally important to know what we are not … we are not a pharma or diagnostic company.

We have core expertise in interventional devices and believe we have plenty of room to grow in that market.

SLIDE – SMITHS MEDICAL…THE INVESTMENT CASE

Although we are going through a period of stress in government budgets and capital markets, I believe the fundamentals of our segments are very sound over the long term.

1. Populations in developed countries are getting older, the rise of pulmonary diseases, obesity and heart disease means that more interventions will be necessary in the future. The massive increase in the middle class in India, China and Brazil also serve to fuel demand for healthcare.

2. Smiths Medical is well placed in lower risk, short residency interventional devices … understanding the risk profile of a business serves to put its value creation in context.

3. We have a very broad portfolio of hardware and consumables, and increasingly we are driving revenue through software and services.

   As the care settings move away from traditional tertiary hospitals, we are well placed to follow the continuum of care.

4. We are a global company with good sales, marketing, R&D and manufacturing presence around the world.

5. We have an excellent operational platform which has delivered very good margins and cash flow.

6. Most important of all, we have a very strong leadership team with a mix of internal promotions and external hires.

   We continue to attract terrific new talent to our business.

SLIDE – WE HAVE STRONG, HIGH QUALITY BRANDS

Our core brands are extremely well known to end user customers. In each of the segments in which we compete, we have some of the most highly trusted product lines … brands which customers have trained on in medical or nursing school and depended on for decades to care for their patients.

During breaks today, it will be our pleasure to give you much more detailed looks at each of these brands and discuss specifically the value they add.

SLIDE – SMITHS MEDICAL IS A WORLD LEADER IN INTERVENTIONAL DEVICESS WITH BALANCED SEGMENT MIX AND REGIONAL PRESENCE

I feel very strongly that we are a well balanced company, with revenues split reasonably across the 3 major segments.
About 20% of our revenue derives from hardware such as infusion pumps and all of that hardware leads to either follow on consumables and/or software and/or service revenue.

Like most good medical companies we are roughly 50-50 split between the US and the rest of the world.
We see great opportunity to grow aggressively in Asia.

Our people are also spread out around the world and we are, as we speak, investing in additional headcount in the high growth countries in Asia.

SLIDE – WE HAVE TRANSFORMED THE BUSINESS OVER THE LAST ~3 YEARS

Our performance over the last 3 years gives us great confidence that we are on the right track. I am very proud of the significant improvements in quality and productivity, both of which are now subject to consistent, routine and common global processes.

We have a very deep and broad Oracle ERP implementation from which we have extracted both cost benefits and data-driven decision making capability.

We converted our business from 4 somewhat discordant P&Ls to a single, globalized and functionally managed company with all the best practice sharing that implies.

We have an energized leadership team.

The results speak for themselves: we have driven very significant improvements in operating margins and in return on capital employed.

SLIDE – PORTFOLIO MANAGEMENT APPROACH CONTRIBUTING TO HEADLINE OPERATING PROFIT AND ROCE IMPROVEMENT

The rich data we now have from our global ERP implementation has allowed us to truly understand the operating profitability at a SKU and customer level.

Using this, we have been able to target our new product development and variable cost productivity efforts, make a very accretive acquisition in China and focus our sales teams on profit pool maximization.

At the same time, as announced repeatedly over the last 3 years, we have divested non-core products, eliminated low profit SKUs and put some lines into harvest mode.
This has been an important contributor to our profitability improvement and we expect to drive even more value over the next timeframe.

SLIDE – WE ARE WELL POSITIONED WITH ~21% MARKET SHARE IN OUR KEY SEGMENTS

To provide more context to Smiths Medical, we are reasonably well positioned with approximately 20% share in our key segments.
We compete with a wide variety of companies … all the way from very large consolidators like Covidien and Becton-Dickinson on the one hand all the way to very small, single segment players.

It is relatively straightforward for us to target near neighbor adjacencies by which we can double our potential served market, drive organic growth and identify bolt on acquisitions.

SLIDE – WE COMPETE WITH A WIDE ARRAY OF COMPETITORS WHO ARE THEMSELVES ALSO MULTI-PORTFOLIO COMPANIES

It is important to understand that we compete with relatively small parts of most of our big competitors, with Teleflex and B. Braun perhaps providing the most overlap. As a general rule, we have not gone after size but for share of profit pools. We have built on our deep understanding of key care areas such as anesthesia, OR and ICUs. We want to reduce G&A as well as variable cost so that we can reinvest in R&D, sales and marketing.

We want to maintain our premium price position through quality, innovation, branding and service. The track record of transformational acquisitions in the device market over the last 10 years leaves something to be desired.

SLIDE – CUSTOMER NEEDS ARE COMPLEX AND EVOLVING

Let me switch gears now to lay out important trends in the healthcare market as a background to what Stuart is going to tell you about plans to invest for growth.

As our CADD Solis ambulatory infusion pumps have proved, the healthcare market rewards well designed products which deliver quality & clinical value. However, the demands on device companies are going up quite significantly. Regulatory scrutiny is up and product registration and clearance timelines have become quite a bit longer.

In the constrained budget times in which we live, customers want strong economic justification in addition to clinical value. All this means that companies with deep understanding of customer needs, strong regulatory frameworks, established brands and market-based innovation will win.
I believe we are such a company.

SLIDE – SOME PRESSURES, BUT POSITIVE TRENDS WILL GENERATE GROWTH

I have previously laid out the overall trends in healthcare and specifically in device markets. In each of our 3 major segments, we have a pretty good idea of where to focus. In Medication Delivery, we expect to focus on error reduction, wireless integration and user-centric design.

In Vital Care, the growth of minimally invasive procedures and chronic respiratory issues will drive single use disposable products. Body temperature management is recognized as driving both positive outcomes and patient comfort.

In our safety business, the increasing focus on hospital acquired infections bodes well for our product line as is the growing emphasis on safety as an occupational issue in Europe.

There is opportunity for profitable growth in our markets and here to tell you how we intend to invest for growth is Stuart Morris-Hipkins, our VP for Global Sales & Marketing.

SLIDE – INVESTING FOR GROWTH – STUART MORRIS-HIPKINS VP, GLOBAL SALES & MARKETING

Our business continues to look at various ways to create value and we have a solid game plan for the next three years:

Focus is on new products, emerging markets, being global in processes and yet local to our customers. We completed the globalization of the all of the functions in Smiths Medical last year and are leveraging our new structure by reducing cost and reinvesting in the sales and marketing function to drive growth.

This is especially the case in our emerging markets.

We have increased sales effectiveness in all of our regions, and raised the amount of quality time that we spend in front of customers. In Japan for example we have boosted the amount of customer facing time by 64% in the last 9 months alone.

SLIDE – SOLID GAME PLAN IN PLACE FOR THE NEXT 3 YEARS TO DRIVE PROFITABLE GROWTH

Our plans are to keep investing to expand from our core business, which will provide significant opportunities for growth.

In Safety:

We have developed anti-microbial technology in our products to prevent infection. Working within the EU, we will promote our safety line of products as safety legislation passes in each of the member states

In Vital Care:

In airway, the incidence of chronic respiratory disease is increasing and we expect to provide new solutions to better visualize the placement of our products during intubation.

In medication delivery:

Linking our smart infusion pump platforms to hospital IT systems ensures a good flow of information and provides an improved value proposition to our customers. We are developing a suite of products for emerging markets which will also serve the value tier in developed markets.

SLIDE – INVESTING TO EXPAND THE CORE

We are making great progress in optimizing our investments in R&D across our portfolio.

- We have reduced the number of projects that we have worked on through a clear prioritization process that balances both short term and long term value creation

- A great deal of effort has been put on the front end of the new product introduction process through voice of customer activities that includes a “human factors” approach

- The marketing teams have improved the process to commercialize new products

- A reduction in time to market and better product launch materials have been achieved by outsourcing to overseas third party companies

•Our goal is an R&D
% of sales of 4% this year with a weighting toward infusion and vital care products.

•However, this % belies the significant effort from the R&D team in delivering variable cost productivity and improved quality.

SLIDE – INVESTING MORE IN R&D…FOCUS AND INCREASED EFFICIENCY DRIVING RESULTS

In practically every part of our business, we employ differentiated technology which few others possess. CADD ambulatory pumps have been recognized by customers as best in class for 3 decades and the latest CADD pump, the CADD Solis is designed to help reduce the risk of adverse drug events by using a therapy based drug protocol library.

CADD Solis is used in labor and delivery, oncology and in the home for multiple therapies. In managing the required flow rates in these very different applications, it has the ability to deliver widely divergent flow rates equivalent to the difference between a faucet and the Alaskan pipeline.

To perfect our catheters we complete 1200 measurements in a second to ensure that only the best catheters make it through to be used on patients in what is a fully automated process.
Here again are quality processes which few can follow.

SLIDE – WE HAVE LEADING TECHNOLOGIES BOTH IN OUR PRODUCTS AND OUR PLANTS

The Portex brand has been well recognized around the world for 5 decades for managing the airway and we have evolved and expanded into adjacent therapy areas. This includes applications for Asthma and Chronic Obstructive Pulmonary Disorder (COPD) as well as tracheostomy for obese patients.

We won a Medical Design Excellence Awards gold medal in 2010 for our Uniperc percutaneous trach design used in obese patients. And we have taken market share with this product.

In the CADD product range, we have successfully introduced CADD Solis VIP in Canada into the homecare environment which compliments our already successful CADD Solis used in the hospital.

Subject to regulatory clearance, we look to launch this new platform into other countries. The homecare market represents another large growing opportunity for the business as a move toward treating patients at home continues.

The need for simple to use and reliable multi therapy pumps remains an important factor in the decision making process and Smiths can deliver as it has done since the 1980s.

SLIDE–LOCAL IN ALL KEY REGIONS…INVESTING IN EMERGING MARKETS

Smiths Medical has been in business for over 50 years. The game plan is to be local in key markets with sales and marketing presence. The Americas represents the largest market for Smiths Medical. Recent investment has been on sales force effectiveness through the advent of key account management teams. We have successfully increased our penetration across our portfolio through this approach with superior growth rates at top US hospitals versus the market despite a challenging economic environment.

In Europe an opportunity to leverage our safety portfolio through legislation will present itself as well as converting over to a direct sales strategy from distribution. The globalization of the sales and marketing function and adopting best practices has resulted in dramatic increases in time in front of the customer and in the value of our sales pipelines.

Emerging markets in China and India represent growth potential with existing portfolios and we are aggressively adding headcount and functional support.

We have both direct and distributor teams in place to position us for growth.

SLIDE – INCREASING CHINA PRESENCE RAPIDLY

Our acquisition of Smiths Medical Zeizhang and general investment in China are paying off:

The acquisition has provided Smiths Medical a strong market position in Infusion and a further platform for growth in our existing portfolio where we continue to register more products.

We have invested in all functions and will end FY11 with 250 employees with plans to continue to expand beyond that.

During this time we will have achieved a 10 fold increase in revenues in China by next year through Infusion sales and sales across the portfolio

Further investment and upgrades to the SMZ pump under the Graseby brand have been made and this pump is now being launched into other markets, India in particular.

SLIDE – WE ARE INVESTING IN INDIA

We are investing in sales and marketing personnel in India to match the growth in the Indian healthcare market driven by greater insurance coverage and investment in infrastructure. We launched our legal entity in January this year based in Mumbai and we are looking to expand on our presence in the country where we have operated through distributors for over 20 years.

Our brands are very well known (particularly Portex) and we will now capitalize on this by adding direct sales headcount as well as greater training support to our distributors.

With over 25,000 hospitals in the various tier cities in India, we see even greater opportunities for revenue growth.

SLIDE – INCREASING OUR EMPHASIS ON CLINICAL OUTCOMES AND COST EXCELLENCE

There are a number of healthcare dynamics in play as indicated on the page.

In general, full adoption of the directives and bills will see greater transparency in pricing, reductions in reimbursement and standardization of medical devices used in procedures based on best practice and clinical outcomes.

In response we are intensifying relationships with key opinion leaders, developing human factors studies on all of our new products and continuing to drive out cost in our products.

An example would be our efforts to partner with APIC (Association for Professionals in Infection Control and Epidemiology) in the US on a Ventilator Acquired Pneumonia prevention program that included best practices and products to improve clinical outcomes that would lower hospital costs.

SLIDE – OUR NEW STRUCTURE BECOMING VERY EFFECTIVE…GLOBAL IN PROCESSES, LOCAL WITH CUSTOMERS

Our new structure allows us to target customers locally and operate each function with its own area of specialty. Seven regions include both direct selling and distributor territories and are responsible for downstream sales and marketing activities.

The global products team is split by major product area and are responsible for the global revenues of each product, and for new product development.

Both functions are responsible for ensuring there is a direct focus on the customer and to drive revenues. The other functions support the customer and the business and are closely tied through a series of best practice operating mechanisms.

The close tie between operations and sales and marketing functions for example has continued to drive out cost and improve service levels to our customers.

SLIDE – EXECUTING ON G&A REDUCTION TO REINVEST IN SALES AND MARKETING

We have and will continue to reduce G&A cost in the business and other opportunities exist to streamline and centralize service and support functions.
We have strengthened the global products function and have improved sales effectiveness in every region after executing an optimization plan in the last six months. This has reduced the sales management layers in favor of more direct selling teams.

Standard training tools targeted at the sales and marketing teams,
key account management selling teams established in certain regions will begin to bear fruit in the next 12 months as best practices become more established.

In summary, I am very confident that we are investing for growth and have more room to drive improvement in top and bottom lines. Let me now hand you over to Rob White who will summarize our actions to make our division more efficient.

SLIDE – DRIVING EFFICIENCIES – ROB WHITE VP, GLOBAL FINANCE

Thanks Stuart, and good morning to you all.

Much of the transformation of Smiths Medical has been driven by our focus on Operations Excellence. We have moved from running the business with largely independent manufacturing plants, servicing demand through multiple supply chains, to a single Global Operations and Supply Chain organization, all based on a common Oracle ERP system.

Likewise, we established a Global Sourcing organization, which we have leveraged to reduce the number of suppliers we rely on by around 20% and to negotiate better input cost prices.

We have reduced the number of products that we make and are constantly seeking new ways to reduce the costs of manufacturing and the costs of servicing our customers.

This process has been about globalization, integration and simplification.

We have consolidated our production and supply chain while improving customer service to best ever levels.

SLIDE – WE HAVE DESIGNED AND EXECUTED AN OPERATIONS EXCELENCE GAME PLAN…PERSUING ADDITIONAL OPPORTUNITIES

Here you can see that through adoption of best practices, supported by increased visibility from our ERP system, we've been able to increase our inventory turns from 2.4 to 3.4 times, an improvement of 40%.

We've focused on reducing Finished Goods stocking levels by applying analytics to optimizing inventory required to meet service levels and driving raw materials down through vendor managed inventory control.

Globally, we've closed 15 sites in 5 years, with more opportunities for footprint changes ahead. Our continued implementation of lean manufacturing initiatives typically result in substantial production floor space savings, which in turn provide the potential for further site consolidation in the US and Europe.

But these changes will not just be directed at driving cost down.

We will also seek to move production and supply closer to the customer, to reduce supply chain lead times and improve customer service.

SLIDE – FOR EXAMPLE, DRIVING EFFICIENCIES VIA INVENTORY AND SITE MANAGEMENT

We have further improved our capability in Value Analysis / Value Engineering, which is now a “business as usual” process in Smiths Medical, but one that we drive harder and harder as we drive our product costs down.

SLIDE – AND VAVE PROJECTS CONTINUE TO ADD SIGNIFICANT VALUE

In the last 3 years, we’ve increased the overall impact from VA/VE by 60%. Meanwhile, the average VA/VE project size has increased by 300%.

For example, through Component Sourcing changes and Product Redesign,

we’ve been able to reduce the unit cost of one of our best-selling infusion pumps by 35% this year.

SLIDE – CONTINUE TO DRIVE MARGIN IMPROVEMENTS

The last slide in this section of our presentation captures both the downward pressures on our operating margin and the opportunities to move that operating margin yet higher. I won’t go through all of the points on this slide as I know you can read them.

In 2008, we signaled the target margin range of 20% to 24%, at a time when we were below the lower end of that range.

Since that time, and despite sometimes challenging trading conditions, we have been able to move the performance of the business into the upper half of that range.

In the process, we have been building a platform across all functions of our business that we can leverage to execute our game plan of becoming a best in class operator. This will support our program of accelerating our Sales & Marketing and R&D efforts while driving the operating margin.

...and at this point, I'll hand back to Srini, thank you.

SLIDE - CONCLUSION – SRINI SESHADRI PRESIDENT, SMITHS MEDICAL
SLIDE – RECAP: DRIVING VALUE VIA PROFITABLE GROWTH
SLIDE – SMITHS MEDICAL – THE INVESTMENT CASE

QUESTIONS AND ANSWERS

PHILIP BOWMAN – CEO – SMITHS GROUP

Thank you, Srini, very much. Questions? Second row, please, on the left-hand side.

GLEN LIDDY - JPMORGAN

It's Glen Liddy from JPMorgan. Your long-term growth target of 3% to 5% -
How much reliability do you think you'll have, particularly in the near term with government budgets and spending on medical systems under a lot of pressure?

SRINI SESHADRI – PRESIDENT, SMITHS MEDICAL

Certainly, I mean, you've seen it already, not only in our results, but across the board in our segment. It is on the lower end of that. But in the next five years or so, these kinds of numbers just have to come back, in my opinion.

GLEN LIDDY - JPMORGAN

And, do you need the top line growth to drive the margin up towards the top of the range?

SRINI SESHADRI – PRESIDENT, SMITHS MEDICAL

We need some, but in the short-term, we still have plenty of juice in this business to consolidate and drive profitable -- to drive the profit line.

ROB WHITE – VP FINANCE, SMITHS MEDICAL

I think the contribution of the value engineering is probably the one thing that we could've communicated rather better historically. Frankly, I have been surprised just how much we have succeeded in driving out in terms of additional profit or improvement to margins by doing that.

And that process, as Srini said, has still got some way to go. I think in terms of revenue outlook, as Srini said, I mean, times are tough at the moment in the US, they’re tough in Europe. The only areas where we're seeing really any good growth is in the developing markets.

I do agree, though. I think this is probably a transient phase, but I think -- and I've said it at the half-year numbers, I think, you know, in the next 18, 24 months, I think our revenue growth is going to certainly be quite challenging. But, as was commented, there are some good new products in the pipeline, which will certainly be helpful in terms of where we're going.

PHILIP BOWMAN – CEO – SMITHS GROUP

Next question? Sandy? Is it Sandy? Yes.

SANDY MORRIS – RBS

I mean, just as a sort of layman, when we read US Patient Protection and Affordable Care Act and EU Transparency Directive, when we've had this sort of change in the past that has led to hospital-buying groups being seen as the solution and you selling into them.

But in essence, there's a sort of inertia in this industry because you're selling into hospitals. So, what does literally all that rather intimidating language really mean in terms of how you go to market in the future, how it might change, please?

PHILIP BOWMAN – CEO – SMITHS GROUP

Stuart, do you want to pick that one up?

STUART MORRIS-HIPKINS – VP, GLOBAL SALES AND MARKETING, SMITHS MEDICAL

Yes. We've got 70%, 80% of our business remained in the acute care space. We've been dealing with consolidation of GPOs, contracting IBNs in the United States now for 20 years. So in that time period, we've managed to maintain our position and improved our margins.

So, is there greater increases in the reimbursement pressures and pricing? Yes, but we have continued to find different ways to mitigate that. But we have also have a presence in outside the hospital, in home care, and alternate site setting and also in our emerging markets.

So, there are other opportunities for growth outside the traditional space. And in the traditional space, we have continued to find different ways to mitigate the impacts of those adverse price pressures.

SANDY MORRIS – RBS

Sorry. You're not -- I'm just trying to nail this down. I mean, the way that you sometimes talk about this business makes it sounds like it's a bit of a downhill struggle -- for the last 10 or 15 years. And yet, there's lots of evidence to the contrary that we've continued to sell very targeted fashion into the hospitals.

And therefore, I'm just trying to sort of work out whether all of this intimidating acts and bills and God knows what, actually mean any real change at all in the way that you will go to market, or the way that they will come to you.

PHILIP BOWMAN – CEO – SMITHS GROUP

Srini?

SRINI SESHADRI – PRESIDENT, SMITHS MEDICAL

The easiest way, Sandy, is to say the following. The fact is that governments around the world are attempting to gain control of the growth of health care spend. They're doing it in a number of different ways.

Have they been doing it for the last 15 years? Yes, they've tried. All of that says that the general direction of pricing is to go down by X%, whatever that number is. It's lower in some countries, higher in others.

Having said that, there are countervailing methods by which intelligent companies can continue to drive pricing and growth. One is clinical value. I think this is an area, medical space in general, is an area where clinical value is always appreciated.

If you solve an underlying medical condition and you solve it in reasonably economic terms, especially if you take cost out of the rest of the health care system, that's appreciated. So, part of what our challenge is with our new product development is in fact to drive both clinical value, as well as the economic argument. And if we do that, we can actually counteract these sort of historic pressures. That make sense?

SANDY MORRIS – RBS

Yes.

PHILIP BOWMAN – CEO – SMITHS GROUP

Microphone.

SANDY MORRIS – RBS

I was only saying yes. Thank you.

PHILIP BOWMAN – CEO – SMITHS GROUP

We wanted it on the record, Sandy.

SANDY MORRIS – RBS

I'm very grateful. Thank you.

PHILIP BOWMAN – CEO – SMITHS GROUP

Next question? Over there on the left-hand side, please?

NIGEL RIDGE - BLACKROCK

This is Nigel Ridge from BlackRock. I was looking at slide 16 and trying to understand the implications for expanding the core market.

PHILIP BOWMAN – CEO – SMITHS GROUP

Could we go back to slide 16, please?

NIGEL RIDGE - BLACKROCK

If I look at the original targets that were set, they were based on the base market of broadly about $4 billion, so 3% to 5% [still] seems to be reconciled back to that. And I appreciate that times are tough.

But as you go from an addressable market of $4 billion to $9 billion, I'd like to know, A, is that all organic or do you get there by acquisition? And, B, what are the implications for the growth rates of Smiths Medical relative to market as we go forward?

SRINI SESHADRI – PRESIDENT, SMITHS MEDICAL

First of all, we've been focusing the last three years or so very much on organic growth, so revamping the R&D process, focusing on clear growth areas into adjacencies and so on.

A lot of -- any acquisitions that we've targeted have been in the developing markets into -- in -- first, in China and possibly in the future in India as well. To gain greater capability into new product development, R&D organizations, for example, we're now able to target the whole value tier in infusion through our acquisition in China.

So, that's a little bit of why we sort of continue to feel that we ought to be growing at or above market levels over the next timeframe. So, even in these tough times, I don't think it's right to back off of that 3% to 5% growth rate because as we develop new products over the next three to five years, in these areas, we ought to be able to go after this expanded definition of served market.

Does that make sense?

NIGEL RIDGE - BLACKROCK

So to appreciate that, do I understand that you sort of recalibrated in the sense of -- the original target -- it was based on a base market growing at 3% to 5%. We're now appreciating that that may be more difficult to achieve, but because you've expanded the market, that gives you some confidence in the medium term, you can achieve your target of 3% to 5%?

SRINI SESHADRI – PRESIDENT, SMITHS MEDICAL

And more of a focus on developing markets -- emerging markets in Asia, Brazil, et cetera.

NIGEL RIDGE - BLACKROCK

Okay. Thank you.

SRINI SESHADRI – PRESIDENT, SMITHS MEDICAL

That's the game plan.

PHILIP BOWMAN – CEO – SMITHS GROUP

Okay. In the second row, please?

GLEN LIDDY - JPMORGAN

Hi, it's Glen Liddy, again. On your growth, how much of your growth, do you think, will be driven by taking your existing products into the markets they're not already serving? So, you've got a broad range of products that sell in some countries, not in all, but clearly, you've got the approvals in the most important countries.

How quickly can you take those into new markets and what proportionate growth target can be delivered from your existing product offering?

PHILIP BOWMAN – CEO – SMITHS GROUP

Stuart, do you want to pick that up?

STUART MORRIS-HIPKINS – VP, GLOBAL SALES AND MARKETING, SMITHS MEDICAL

Yes, I won't exact percentages, but, I mean, yes. Obviously, as we look at each market, we'll ensure we have the products registered. And with the globalization of the functions last year, that's exactly what we have been doing -- investing in the infrastructure, sales and marketing personnel. They'll enable us to execute on that basis.

Taking our existing portfolio, we have distributors in some territories, investing in direct sales and marketing headcount, and then executing on that exact promise.

GLEN LIDDY - JPMORGAN

Is it a significant cost to get that extra people on the ground for the sales, or is that just part of the ongoing evolution in the structure?

STUART MORRIS-HIPKINS – VP, GLOBAL SALES AND MARKETING, SMITHS MEDICAL

It's part -- it's twofold, probably an ongoing evolution, number one, but also in certain markets there's a different cost to go-to-market in some of the emerging markets such as India and China. And, clearly, what we are doing is balance an investment versus the return that we'll get for the portfolio and the products that we register.

So, clearly, with primarily being a disposables business for hardware, it really would depend on the types of products that we'll be offering into those countries, as to the type of infrastructure that that would be supported by.

GLEN LIDDY - JPMORGAN

Okay. Thank you.

PHILIP BOWMAN – CEO – SMITHS GROUP

Next question over on the right, third row.

ALEX TOMS – BANK OF AMERICA MERRILL LYNCH

Thanks, it's Alex Toms from Bank of America, Merrill Lynch. Just one question from me. You kind of got much better margins or high-end margins versus some of your peers, but how does your strategy differ from your competitors in terms of growth? I'm looking at growth expectations. What are you doing differently? Thanks.

PHILIP BOWMAN – CEO – SMITHS GROUP

Srini?

SRINI SESHADRI – PRESIDENT, SMITHS MEDICAL

At the very least, I think, first of all, as I tried to show in that page, there's a wide variety of competitors. So when you said competitors, it's not some monolithic group. Whether it's temperature management or safety or infusion, mitigation, delivery, in each case we're dealing with a completely different set of competitors, all with different strategies.

So, let's take infusion for example. In our case, we have a long history in ambulatory infusion, and we spent an enormous amount of our energy over the last four years on user-centric design. That has really paid off in the feedback that we're getting about our CADD-Solis design.

It has every bit of the kind of feedback that says, you should be able to take this product, hand it over to a customer, and almost without training, they should be able to start using it. That's a factor of design that we have attempted to reach. Time will tell whether we've succeeded, but all of the early indications of this product line say that we're very much in that line.

I'm not so sure some if our competitors in attempting to be -- to cover an entire waterfront of ambulatory syringe as well as large volume pumps have had that ability to do user-centric design everywhere. Okay?

So that's -- there are many vectors by which you can do new product development. And we've decided that, given the demographics of nurses, given the massive shortages that are around the world and the number of nurses available for hospitals, the intuitive design is going to be a very, very big factor. So, there's an example.

In the -- in the temperature management space, we've been historically strong and fluid warming, and have not been very strong in convective. So, now is an opportunity to really double down and invest in convective warming capability.

So in each case, I guess what we've attempted to do is to take a design philosophy which is something that four years ago we were so fragmented that it would be laughable to talk about a design philosophy. Now, I think, as we've professionalized the organization, we're able to take a design philosophy for each product line.

PHILIP BOWMAN – CEO – SMITHS GROUP

Thank you, Srini.

Next question? Anyone else? I think, Srini, that's -- you've silenced everybody. Ladies and gentlemen, we're running a little earlier than we expected. I think if we break now for coffee and reconvene at half past 10, please. Thank you very much.