

**Smiths Medical Investor Day – St Paul, Minnesota**

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**FULL TRANSCRIPT**

**CORPORATE PARTICIPANTS**

**Peter Turner**

*Smiths Group – Finance Director*

**Peter Durman**

*Smiths Group - IR Director*

**Srini Seshadri**

*Smiths Group - Group Managing Director - Smiths Medical*

**Stuart Morris-Hipkins**

*Smiths Group - President - Smiths Medical North America*

**Rob White**

*Smiths Group - Finance Director - Smiths Medical*

**CONFERENCE CALL PARTICIPANTS**

**Alex Toms**

*Bank of America-Merrill Lynch - Analyst*

**Martin Wilkie**

*Deutsche Bank - Analyst*

**Nigel Ridge**

*BlackRock - Analyst*

**Avi Hoddes**

*UBS - Analyst*

**Sandy Morris**

*RBS - Analyst*

**Colin Campbell**

*Societe Generale - Analyst*

**David Perry**

*Goldman Sachs - Analyst*

## PRESENTATION

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**Peter Turner - Smiths Group - Finance Director**

Good morning and welcome to Smiths Medical's global headquarters in St. Paul. For those of you who weren't with us in Tampa yesterday, thank you for joining us today.

Smith's Medical is our largest division. We're 31% of the Group sales and also with the highest margins in the Group, it represents 37% of the Group's profit. Today will comprise of a presentation by the management team of Smiths Medical followed by a chance to ask questions. We'll then have a site tour which will include product demonstrations so you can get to understand the portfolio better. I'm sure you'll find this a helpful session and gain some new insights.

Before I hand over to the Smiths Medical management team, I'd just like to make a few introductory observations.

### **SLIDE 2 – OBSERVATIONS ON SMITHS MEDICAL: AN ATTRACTIVE BUSINESS MODEL**

In this economic downturn, Smiths Medical has benefited from its exposure to the more defensive elements of the healthcare market. The long-term drivers are aging populations and increasing prosperity in emerging markets. You'll also hear today that its broad portfolio, which has about 80% of its sales in single use consumable devices, has also proved beneficial.

We cannot ignore the operational challenges that this business faced some two, three years ago. However, more importantly, you will hear today about the significant progress that we have made with the operational improvement programs since that time. There's still more work to be done, but the business platform's been stabilized and it's in much better shape than even a year ago.

By holding the investor trip here today, we hope to show you first hand the substantial improvements and progress that the management team has made. This is evidenced by the positive sales momentum the team has now established. At the same time, we have undertaken various restructuring initiatives over the last two years. The team has successfully driven operational efficiencies to push margins to the highest levels in recent times. We're also making strong progress in meeting the growth and margin targets established at the end of 2008.

You'll see today Smiths Medical has strong technologies and brands which differentiate in some attractive niche markets. The brands enjoy a reputation for quality over the years and command trust and loyalty from Smiths Medical's customers. We've also made good progress in the last two years on a new global process to evaluate and prioritize investment in new product development. This has helped to significantly increase the proportion of products from sales from products launched in the last three years.

Having got this platform right, we are now beginning to increase our investment in R&D to create a pipeline of new products that will keep the portfolio closely matched to customers' needs. I've also been struck by the strong roots to market this business has. Our knowledge of our customers' needs coupled with our ability to leverage our technology has enabled us to continually refresh our products and service offering. Overall, this is a great business with a much improved operational platform and attractive growth opportunities in defensive markets. The business also has strong margins and good cash conversion.

So, why are we holding this event here today in St. Paul?

### **SLIDE 3 – KEY THEMES FOR TODAY**

Well, it's very much for the same reasons as I gave yesterday. It's an opportunity to provide you with a much closer look at Smiths Medical. The objectives for today's session are to outline the business strategy for Smiths Medical and to examine some of the

dynamics and drivers of future growth. We'll explore Smiths Medical's end markets in greater detail and its competitive position within them. We'll examine the strengths of Smiths Medical's technology and its business model.

We're here in St. Paul because this gives you a chance to see the headquarters and one of our manufacturing sites firsthand. We also wanted to give you the opportunity to meet more of the management team. Most of you will know Srini, who heads business and I'll ask Srini to introduce his team in a moment. I'm sure you'll find today's visit helpful to your understanding of the business.

Thank you for your attention and Srini, over to you.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

**SLIDE 5 – SMITHS MEDICAL - SETTING THE STAGE**

Thanks Peter. Good morning. Thank you all for coming. This is a very big day for us, although somewhat momentous things are happening in South Africa for both the United States and England today. I appreciate the fact that you didn't bring your vuvuzelas along. Good, that would have been a little annoying to go through the day listening to that.

**SLIDE 6 – SMITHS MEDICAL: BRINGING TECHNOLOGY TO LIFE**

Nevertheless, welcome. We have what I think is an exciting and a packed agenda for you today. I'm not going to go through all of it, but we will have a break at 9.30 so that those of us who need a soccer fix, there is a TV out there. See what's going on in the real world, okay.

With that, let me just sort of set the stage for today and give you a little snapshot of who Smiths Medical is, where we've been and where we intend to go. I think the most important thing to understand about our business is that we are an interventional company. It's probably equally important to know what we're not. We're not a diagnostics company. We're not a long-term implants company. We're not a drug or pharma company.

We make short residency interventional devices, which sort of defines both our risks as well as our growth potential. And just keep that in mind as we go through the rest of the day because as you go, especially through the product demonstrations, you'll get a good feel for what those statements actually imply.

**SLIDE 7 – BALANCED PORTFOLIO, IN PRODUCTS, REGIONS AND PEOPLE**

We've a pretty balanced portfolio in our opinion. We break this business for simplicity's sake into three categories -- medication delivery, providing vital care and keeping people safe. And across those three franchises or pillars, you see a pretty balanced portfolio of our sales. What also, like a good global medical company, in my opinion should be, about 50-50 split between US and rest of the world. You can see the numbers on the screen; if you just take the US portion of the Americas, round it off and call it about 50%. So, it's 50% US, 50% rest of the world.

At the same time, we're also reasonably well balanced globally in terms of our people. We have consolidated quite a bit of our manufacturing, especially the low-cost assembly aspects of our manufacturing in Mexico which is why you see a big headcount in Mexico. And then, we have R&D, sales, marketing, functions, finance, HR, et cetera, around the globe.

But literally, we aspire to be and we are mostly there, a globally designing, manufacturing, marketing, selling organization. Not as big in Asia as we hope to be, but then we'll talk a little bit about our recent acquisitions of an infusion business in China and why that's a platform for the future and not only just a platform, but also an example for the future.

**SLIDE 8 – EXECUTION OVER PAST 24 MONTHS YIELDING RESULTS**

As Peter said, I think we've done a reasonable job in the last two years of executing with credibility. You can see for yourself what the underlying sales and profit results have been in the last year from first half to first half. But on the right-hand side, I'd like to sort of lay out how we did it. First of all, we increased revenues about 20% year-on-year from products introduced in the last three years. This is a measure of new product introduction vitality and that's a KPI that we track pretty regularly.

That number from 2007 to today is over 50%, so we have started to drive new product vitality in the company. At the same time, we've driven a positive price in what you all know to be very tough economic times. We face a market in medical, in healthcare worldwide that constantly has reimbursement pressure. There's nothing new. We've been in that kind of regime for 25, 30 years, but there's always constantly price pressure downwards.

But despite that, through a lot of very rich data analysis and understanding skill by skill and customer by customer profitability, we've been able to drive positive price. At the same time, we've done a set of restructuring activities that we'll walk you through later where we've taken G&A down and plowed that money back into R&D sales and marketing.

One of the things that I'm really proud of and that didn't exist at all when I got here in March of 2006 is a value engineering focus. I think value engineering at a consistent, constant focus on variable cost productivity is just part of the health and hygiene of a good company and I'm glad to say that we've got the processes teams all in place now and that's delivered consistent variable cost productivity and will continue to do so in the future.

We've consolidated manufacturing as well as distribution centers to drive something like 5% base cost productivity and again, that's part of that whole shifting the amount of money we spend on base costs and out of that and into productive pursuits like sales and marketing.

In this timeframe, we've reduced the four P&Ls that I inherited when I got here in 2006 and reduced them down essentially to one. So, with me here today and presenting soon is Stuart Morris-Hipkins who is, since a week ago, announced as the VP of Global Sales and Marketing. And when I got here, these four P&Ls in some sense were historical in nature. They were fragmented by -- they had some R&D, some sales, some marketing, some manufacturing. In some cases, there was very good logic because of some historical reasons.

In other cases, there was just sort of a geographical certainty that manufacturing site X would be reporting into headquarters site Y. Whether it made sense or not, we've managed to streamline that whole process. At the same time, we've globalized and integrated all of the major functions, so HR, finance, IT and so on, okay.

We've delivered one global Oracle instance, which those of you who have been with us for a while know that we had some struggles three years ago and we'll talk about those struggles. But we've successfully completed it and for the last 18 to 24 months, every go-live has gone perfectly on time, under budget and in fact, we've started to deliver the transformation benefits that we promised the Board of Smiths Group.

Another thing that I'm very, very proud of that this team has accomplished is that we've brought a real quality focus to this company. I talk about the cost of un-quality because I really don't believe in calling it the cost of quality. Quality is something that just ought to be in any medical company. We've put a huge focus on it in the last four years and we've reduced the cost of what I call un-quality by GBP5 million. So, if you look at today versus three years ago, recalls, scrap, the number and severity of issues are all significantly down and that's what -- we can see that in the bottom line.

And then, last but not least, I think from a cash point of view we've become a whole lot better at managing the business. We have consistently reduced the inventory in this business and you'll see some data later on. But we've reduced inventory and at the same time reduced day sales outstanding as well. So, on both sides of the equation, we have performed reasonably well on cash conversion.

So, I think that we have pretty strong fundamentals with which to speak to you today, but the usual question is so what does that bode for the future and we think there is more juice in this business yet. So, perhaps the purpose of the rest of today is to show you that indeed there is very good form for the future.

#### **SLIDE 9 – SMITHS MEDICAL - THE INVESTMENT CASE**

So, what would be the investment case for Smiths Medical? And I've tried to summarize it by saying we continue to stand behind the guidance that our CEO, Philip Bowman, has stated. In the medium terms, top line growth of 3% to 5% and a net margin. We're already at 21%. The 20% to 24% is what he had stated I think 18 months ago and we stand behind it and we can see our way to delivering that.

Now, why is that? As you'll see with some data in the rest of the presentation, first and foremost, there is sustained global demand for healthcare and that's driven by demographics. It's driven by the rise of chronic diseases. And in the developing countries like India and China is driven by the rise in middle class which almost always means increased demand in healthcare.

I think we are very well placed from a strategic point of view in the lower-risk, short residency interventional devices. When you see the product showcase that we'll do later today, you'll see what I'm talking about. I think there are some risks associated as anybody who's seen what's happened in the stent market or in the hip or knee implant kind of market, there are ups and down in that market that you tend not to see in our area of the business.

We have a very broad portfolio. Sometimes that's a good thing, sometimes that's a bad thing and we'll certainly talk about that more in the rest of the presentation. But that broad portfolio gives us resiliency. We are equally a hardware company and a consumable company and all of the hardware that we make almost always leads to proprietary consumable income streams, okay.

More and more though, we are moving into what are known as say smart infusion pumps and things like that which involve software as well as services and I think that's not been a focus of the company in the past and that's something we see driving a lot more in the future.

We have 12 flagship brands that have decades of investment in terms of customer credibility, stickiness, loyalty, call it what you will. A lot of our products have to be felt in order to be -- they're experiential goods. And people who have been trained on our products tend to stick with them because they've trusted them over a very long period of time.

We're an international presence with a growing presence in Asia. We're an international company. We manufacture, design, build globally and that's important in my opinion because I think it's important to be local in order to understand what customer needs are, translate them into new products and more and more that'll be a factor for the future.

As I think we've stated already but then I hope demonstrate in the rest of the day, we have a robust operational platform. We are in very, very good shape now to be able to reap the benefits of all the investments and all the pain and the hard work of the last three years. We have rich data streams coming out that we are able to analyze with increasing sophistication. So, that's a whole -- an area that is yet to be mined but we are on the right track.

And then last, but not least, during this timeframe -- and it's a cause and effect scenario obviously, but we've managed to retool our management team and we have now a strong, experienced, diverse and globally aware leadership team, people who have operated in multiple countries, who've run factories or done acquisitions in many parts of the world and that gives us an awareness and a strength that I think is important for a good global company. All of this has then led to us being able to attract even more new talent and we'll show you that in a few minutes.

***SLIDE 10 – SMITHS MEDICAL: MEDICAL DEVICE CONTEXT MARKET***

So, that's sort of a quick snapshot of what I hope the day will be like.

***SLIDE 11 – GLOBAL MEDICAL ENVIRONMENT - GREAT OPPORTUNITY IN COMPLEXITY - SMITHS MEDICAL WELL PLACED***

Let me just put the medical device market into context and then we'll quickly dive into more detail on Smiths Medical itself, okay. The global healthcare market is about a \$4 trillion market as most of you probably know. It is the largest marketplace on earth and that marketplace, if you wanted to summarize all of it on one page from a market dynamics point of view, that's essentially what I've attempted to do on this page.

There's sort of five major characteristics that I think of when I look at the healthcare market -- demographics, healthcare economics, safety and regulatory characteristics, an entire information convergence that's going on and then we'll talk a little bit about the market dynamics from a commercial point of view as well.

So, let's take patient demographics. Some of these are very well known to everybody but bear repeating. In the developing markets, there is a growing middle class roughly of the order of, what, 300 million in India, 300 million in China, emerging very, very quickly into a middle class that is sort of relevant to those countries.

As soon as food, clothing, shelter are sort of taken care of, the next big demand in most people's lives is proper healthcare. We think that's going to continue to drive demand. At the same time, in the developed markets, whether that's Japan or Western Europe or the US, there is an aging population that's going to demand even more interventions.

In our lifetime, chronic respiratory diseases, cancer, obesity related issues, are all up and they're going to continue to stay up. At the same time, all of this is beginning to really put a strain on healthcare budgets worldwide. Governments are struggling with it all over the world and one of the responses to that is a shift from hospital to outpatient kind of settings. So, a good medical company ought to be both a hospital company as well as an outpatient setting oriented company and we'll show you that in a few minutes.

Healthcare economics is, of course, paramount. You know that there's big healthcare reform effort in the US. There is reimbursement pressure everywhere and we'll show you some aspects of that. But in some sense, this is not new. I've been in the medical business for a long time. There has never been a period where we didn't face reimbursement pressure and there are some obvious sort of solutions to that, responses to that and we'll walk you through that.

The spend, of course, is significantly increasing in developing markets. I'm sure you've seen the data on China. China I think just approved something like \$120 billion increase in healthcare spend. But by and large, we think spend in healthcare is going to be resiliently positive. I mean, there's just no way for it to go down despite every effort that various countries make to try and keep that under control.

In the short term, in the last 18 months, 24 months, there has been a credit squeeze that's affected capital items, less so us than some of the very big capital expenditures that hospitals might make, whether that's big diagnostic imaging machines or things like that, less so us. And in most cases it's been a delay rather than a cancel, so we've certainly dealt with it but as we'll show you, with our CADD-Solis product, when there is real innovation in a medical device, the marketplace does reward it, so we've enjoyed very, very good success with our CADD-Solis line.

I hope you'll take the time to sort of look at it. There's a lot of human factor design that has gone into that product line and it is a genuinely differentiated product and that has been recognized not only in the US but in places like New Zealand, et cetera.

Safety and regulatory is a huge issue in this environment. There's a huge focus on hospital acquired infections and adverse drug events. The FDA has higher scrutiny than ever before, probably the highest in my career lifetime. There is EU momentum on employee safety. That's a good thing if you're in the safety business, so that's finally happening.

And the FDA and others are linking globally and that's something that's certainly a change from even three years ago. So, they are increasingly connected, they're sharing data. All of that puts a lot of focus on us being excellent from a safety and regulatory point of view and we'll show you that.

There is an information convergence going on. I don't have to tell you that the whole Internet boom, the Wi-Fi, wireless electronics, all of that has also come into the healthcare marketplace and that sophistication drives us to go to the next generation with our infusion pumps to be able to share data, push data from our pumps into hospital IT systems, et cetera.

But at the end of the day, if that combination becomes so complex that extremely busy nurses and practitioners cannot use it, I think that will be a real issue. So once again, the key in here will be simplicity, user friendliness and I hope to demonstrate that our CADD-Solis is, in fact, one of those devices. Typically, when we go to a sales call on a pump like that, we start with handing the pump over to the user and saying, "Start to use," and then only if there is an issue will we take over and demonstrate anything. In theory, they ought to be able to just take it and figure out how to use it without having a whole lot of training, okay.

Last but not least, on market dynamics, group purchasing organizations and tenders exert price pressure everywhere, always have, and will continue to. There are multiple and different competitors across the spectrum. We'll show you some of that today. And then, there's a wide array of call points and what that says is real sustained, consistent focus on sales and marketing effectiveness are going to continue to be very, very key and that's something that's top of our mind.

**SLIDE 12 – WIDE VARIATION IN GLOBAL DEMOGRAPHICS & HEALTHCARE MARKET FACTORS – GOOD TO BE GLOBAL & LOCAL**

A quick cantor through what market dynamics look like in terms of demographics, market factors around the world; I've just picked five regions to talk about. We could, in fact, talk about 160 different countries. All of them have their own characteristics and I think it's very, very important to be local in all those markets.

But if you look at it, the US, as we all know, spends, on a percent of GDP basis, between 16% and 18% depending on whose math you believe. It's the highest spend worldwide. Something like 13% of the population is over 65 and then you see a good mix of private and employer paid healthcare, 60%. And then, another characteristic of our market in the US is something like two-thirds of that market goes through group purchasing organizations of one type or the other.

To contrast that with, say, Europe on the top left, in Europe we only spend 9% of GDP on healthcare, some 17% of the population is over 65 and is very, very heavily government and tender driven. Take another look at Japan, Japan has pound for pound the oldest sort of aging population, some 21% of the population is over 65. Reimbursing pressure is all over the place, more so in Japan today than it was even three years ago. But they only spend 8% of GDP on healthcare.

And then, there are the emerging markets of India and China, which are growing very, very rapidly, very low relative spends, 5%, 6% GDP on healthcare but that number is going up all the time. And of course, they'll grow in completely different ways as they do in almost every field you can imagine, okay.

**SLIDE 13 – REGULATORY ENVIRONMENT HAS STIFFENED IN LAST 3 YEARS**

I mentioned the regulatory environment and the purpose of this page is simply to say that we've been dealing with regulatory agencies, the FDA as well as their counterparts around the world, for decades now. We're a good company. We take regulatory agencies very, very seriously and when we see them connecting the dots, that's actually a good thing.

So, what we see today is that when one manufacturer has an issue on a particular topic, I think say five years ago, that manufacturer would have had inspections issues, whatever, remediation but they wouldn't have gone to the next five manufacturers of the same thing and ask if the same issue can be seen there. Now, they are doing that.

And I think that's a good thing if you are a good company which takes this topic very, very seriously, builds relationships with these agencies, understands what their motivations are, what they're asking us to do and then be very, very proactive in dealing with it and that's the attitude we take and as long as I'm here, that's the attitude we'll continue to take.

So, I say it's excellent for firms with strong global processes and systems. That's what we've spent the last four years building here and I think we should -- it's never good to jinx anything. I always touch wood. But in general, I think this is an area where if you focus and do the right thing, then the governments also take you very, very seriously.

**SLIDE 14 – REFORM EFFORTS, PRICE & COST PRESSURES COMMON AROUND THE WORLD FOR 20+ YEARS**

Reform efforts, price, cost pressures are all over the place. They have been for a while and I thought in this -- between US, Europe, Japan, China and India I'll try and summarize a little bit of what's new today versus what's just always been the case. Patient volume with the healthcare reform, some 35 million to 40 million people are going to enter the healthcare system in a way that they have not done before.

Now, the jury's out on whether that's all going to cause volume increase because the argument is many of those people were getting healthcare in emergency rooms anyway or the demographics of that population skews very young in which case they weren't going to be big consumers of healthcare anyway.

So, there's lots of math and people are doing lots of modeling. Net of it all, though, if you think about basic things like blood draws -- and we're in the business of blood draws -- to the extent that there is routine healthcare for 35 million to 40 million people, sooner or

later that's got to translate into something. Now, whether we can do that math, which models do you believe, we can certainly talk to you in Q&A. But in the rest of the world in China and India, patient volume is absolutely up. Europe and Japan are relatively stable.

Interventional procedures are going to continue to be up. Now how positively up, I think it's going to go with just procedure growth. But there are more and more interventional procedures coming up. That's been the history of the last 10, 15 years and that's going to continue to be in the right direction.

There are certainly tax effects. You know that there's a tax component to the healthcare reform bill that's going to kick in sometime in 2013 if it holds. There's a lot of time between now and 2013. We'll see actually what happens. So, that's an uncertain down, but there's probably some tax component but I don't see any big changes in tax policy in the rest of the world. And then, reimbursement pressures are certainly there.

I think it's more important, though, to say, "Okay, this is the landscape that we faced in one shape or the other for the last 20 to 30 years. What are the responses?" I'm not going to read through those. You probably read through them already but those are standard, blocking and tackling, good things that a good company ought to do and that's what we've been focused on for the last two years and we're going to continue to do that. We've already done significant amounts of all of that, but that's a lot more to do.

Bottom line though is all of the data that we've been building of our last three years to put together is analytically the engine with which we've got to analyze this business and know where we want to invest, why we want to invest in there, what are the profitabilities by SKU by customer and really take a very, very disciplined approach. It's also going to take getting much, much closer to customers and I think the recent globalization of our sales and marketing organization is a step in the right direction.

***SLIDE 15 – COMPETITIVE LANDSCAPE QUITE BROAD & FRAGMENTED – POTENTIAL FOR DIFFERENTIATION AS WELL AS CONSOLIDATION***

Perhaps it's important to put us in context in competitive terms. So, we selected a set of people who are also in similar spaces and just for context broke them up into say three categories. On the left, you have the much larger organizations like Baxter or Becton, Dickinson, which are relatively large, multi-business consolidators.

We're the blue line in the middle and the way I look at it, the question is not whether we are not as big as the ones on the left and much bigger than the ones on the right. It's whether you have scale in the segments. We are focused on certain areas and in those areas I submit to you that we have pretty decent scale. Could we do more? Certainly, but we have decent scale in those key segments.

And then, there are lots of more niche, smaller players who are there. This page and then on the top right-hand side, you can see that companies like GE and Philips, which essentially used to be big anesthesia or diagnostic imaging companies, have been acquiring into the space through Respirationics, vital signs. You probably saw the Kimberly Clark I-Flow deal. Moog certainly has been moving into infusion pumps, so there are some other players who are moving into this space as well.

All of this says that there's a rich area for consolidation, whether we are the consolidators or we become attractive to somebody else, I'll leave it to Peter and Philip Bowman and so on, but essentially this is a little picture of where we stand in the marketplace.

***SLIDE 16 – WE COMPETE WITH PARTS OF A WIDE ARRAY OF COMPETITORS WHO ARE THEMSELVES ALSO MULTI-PORTFOLIO COMPANIES***

It's probably worth doing some comparisons. We've done this with the best available publicly published data. But just to put you in context, I think the most important thing on this page are the pie charts in the middle.

What I wanted to show you here is that there's almost no company out there with whom we are a direct one-for-one competitor. We compete with parts of a pretty wide array of competitors who themselves are also multi-portfolio kind of companies and you can see in the blue shaded area the amount overlap. Probably the one that comes closest to us is Teleflex and you can also see a little bit of the size that those companies represent.

You know that our EBIT margin is 21%. That stacks up very nicely on this chart. Our R&D as percent of sales, as we will show you later, also stacks up pretty reasonably. I think there's space for more. That's, in fact, what Philip Bowman and I are focused on doing

is to get that probably up in the 5% kind of range and I think we see a way to get there. And on a recent growth basis, the best that we can tell segment-to-segment comparisons, these are the kinds of numbers and we're not widely out of line in there.

That's just for context. I think what we'd like to do next is move quickly into a proper introduction into the parts of Smiths Medical, what the three pillars are, what the product lines are, what the market dynamics in each of those segments are and in order to do that, I'll ask Stuart Morris-Hipkins, our VP of Global Sales and Marketing to come up and do that.

Stuart?

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**Stuart Morris-Hipkins - Smiths Group - President - Smiths Medical North America**

**SLIDE 17 – INTRODUCTION TO SMITHS MEDICAL**

**SLIDE 18 – SPECIALIZED IN HIGH MARGIN, SHORT-RESIDENCY, INTERVENTIONAL DEVICES**

Thanks, Srin. Well, good morning, everyone. What I wanted to do is to give a bit more detail to describe Smiths Medical and I want to start out just by highlighting what Srin had mentioned earlier in that we do specialize in short residency interventional devices. So, out of a market here of GBP100 billion, we serve a market of GBP4 billion. And the way that we have broken down this business is into three pillars. That's vital care, safety devices and medication delivery and we've had decades of experience in those key segments.

**SLIDE 19 – WELL POSITIONED IN CORE MARKETS – POISED TO GROW**

Just breaking down the GBP4 billion mark in a little bit more detail, it's important to note that we have an approximate 20% market share in total and across the three pillars. You can see there the various market sizes and I'm going to go into more detail in each of those markets. Between 80% and 85% of our sales come from single-use disposables or consumables with the rest being hardware, but within those disposables we also have dedicated disposables to the hardware devices.

As has been highlighted at the first half, we have a 2% sales growth and a 9% margin growth through the half year. But that revenue growth has come from some core characteristics and that's come from new product introductions, leveraging our sales channels globally, improving our marketing effectiveness, that is through investment and focusing on the end customer. On the margin side, we've continued to drive cost out of the business through various productivity programs and at the same time, have continued to invest in our emerging markets such as China.

**SLIDE 20 – BROAD PRODUCT PORTFOLIO – RELEVANT TO MULTIPLE CALL POINTS INSIDE & OUTSIDE THE HOSPITAL**

Breaking down the sales channels now, we do have a broad portfolio and our portfolio has some very strong brands, and we do cover the customer core point spectrum and that goes from oncology to first responders. The majority of our sales, as you can see, come from the acute care or hospital setting, but we have a strong presence in surgery centers and through home care providers outside of the hospital and that represents 20% of our sales.

Another important and growing aspect of our business is our OEM business where we have partnered with pharma companies to develop infusion pump delivery systems such that we can bring their drugs to market.

**SLIDE 21 – SMITHS MEDICAL: BRINGING TECHNOLOGY TO LIFE**

Just talking a little bit more detail about the three pillars, in delivering medication, we offer products here that relieve pain, treat cancer and reduce medication error. Our aim here is to move away from stand-alone products and pumps to network systems and platforms, which are either going to be wired or operate wirelessly. Here, it's about taking data from the patient and ensuring that the end user, the clinician can make informed decisions.

In providing vital care, we manage the airway. We maintain correct body temperature both in the pre-operative environment and in the post-operative environment. We monitor vital signs and we also have an IVF business. Our aim here is to move away from, again, stand-alone products into more integrated solutions using our portfolio.

An example here would be in the respiratory space with a solution to prevent ventilator-associated pneumonia. And we are partnered with various associations here in the United States to offer a comprehensive solution for our clinicians which look at workflow as well as embedding our products.

In keeping people safe, we have achieved this through Sharps injury prevention and protection and that is from the hypodermic standpoint in preventing needle-stick injuries, but also to blood draw, preventing the spread of blood-borne pathogens. Our aim here is to move from manual devices to automatic devices, which automatically protect the needle and further protect the healthcare worker and the patient.

***SLIDE 22 – SMITHS MEDICAL: A WELL-BALANCED PORTFOLIO OF TECHNOLOGY & CAPITAL INTENSIVE PRODUCT LINES***

Looking at the pillars through a different lens now, you can see here that as an R&D percentage of spend against sales, the delivering medication pillar has the greatest amount. On the contrary, safety device pillar has the least. This is entirely based on the nature of our products. Medication delivery is more hardware and software based and as so as a result requires a lot more R&D spend, whereas on the safety side, it's 100% disposable and therefore, needs less R&D spend.

However, if you look at this from a capital investment standpoint, our keeping people safe pillar requires a higher degree of capital equipment and on the contrary, our medication delivery requires less. Vital care sits halfway between the two, again, based on the nature of the products that we offer.

***SLIDE 23 – DELIVER MEDICATION: MARKET DYNAMICS***

Going into a little bit more detail now about the market dynamics in each of the pillars, in medication delivery we serve a GBP1.2 billion market that we see growing at between 3% and 5%. We do see continued growth in chronic conditions, such as cancer and also the need for pain management. It's the treatments of these diseases and where they occur that we are seeing a shift and that shift is occurring away from the hospital to the home as a result of reimbursement changes and challenges in the various countries. This provides an opportunity for our infusion pumps, which operate in both market segments.

In medication delivery, it's the linkage between our smart infusion pumps to hospital IT systems and middleware IT companies to ensure a good flow of patient data such that clinicians, again, can make informed decisions and this increases the value proposition to our customers such that they can treat their patients more efficiently. Customers want devices that are user friendly, easy to use and are based on standard platforms and I think that is something that Smiths Medical has continued to offer.

***SLIDE 24 – DELIVER MEDICATION: KEY BRANDS***

Going into key brands now, we have three key brands in the medication delivery space. The first is our CADD brand, which stands for computerized ambulatory drug delivery. These pumps have been recognized since the early 1980s for their durability and their ability to deliver drugs safely and in a truly ambulatory fashion. The pumps have addressed the need to deliver chemotherapy drugs, pain management and antibiotic therapies to patients in the home as well as in the hospital and we are the number one market leader in this space. You can see here on all of these slides who our key competitors are.

In hospital infusion, our Medfusion brand has been around since the late 1980s and it's evolved to take a leading market share position in children's hospitals in the US. The pump reduces medication errors and our PharmGuard medication software that sits on that pump enables that pump to reduce those errors. It's also designed to deliver highly accurate doses of medication. Again, that's led us to have a market leading position in children's hospitals.

Our Graseby brand has been around, again, for a period of time and we now offer low-cost pumps for both the Chinese and international markets under our Graseby brand and that's a result of our recent Chinese acquisition, Smiths Medical Zhejiang.

***SLIDE 25 – PROVIDE VITAL CARE: MARKET DYNAMICS***

Moving now into our vital care pillar, a GBP1.7 billion market, growing at between 2% and 4%, this area represents a number of our disposable devices in the anesthesia, emergency room and respiratory care settings. And again, we have a strong brand presence.

Just some of the trends that we see occurring, minimally invasive techniques, hospital acquired infections -- you've all read the press on infections such as MRSA -- and the ability for us to address those through our new product development process becoming more and more important. There's also an interest in antimicrobial coatings and that need is to reduce hospital acquired infections given changes that we see in the reimbursement landscape.

**SLIDE 26 – PROVIDE VITAL CARE: KEY BRANDS**

Again, looking at the brands in a little bit more detail, the Portex brand is one of our oldest brands. In fact, it's been around since 1957 and it's been around especially in the airway space where we've continued to innovate and ensure patients have a clear and uninterrupted airway, again, to improve patient outcome.

We're known for our tracheotomy tubes, our endotracheal tubes and continue to be a market leader in lung expansion devices to assist patients with Cystic Fibrosis where we maintain a number one market position. We've got new product developments occurring in our general anesthesia and patient suctioning, also focusing on solutions for the ICU, intensive care departments.

Moving down now to the Level 1 brand; Level 1 brand has been in the market for 20 years. We have a strong position in both fluid and convective warming where we maintain body temperature, again, both in the pre and post-op but also in the emergency room. In this space, we have a number one market position in fluid warming and a number two position in convective warming. In the Medex brand, we have a good market possession in invasive blood pressure monitoring, especially in the cardiac space.

**SLIDE 27 – KEEP PEOPLE SAFE: MARKET DYNAMICS**

In the keeping people safe pillar, market size, serve market of GBP1.2 billion, market growth of between 3% and 5% for that served market. We've had a presence in this safety segment for 30 years. US safety legislation occurred in the year 2000 under the Needlestick Prevention Act and recently at the end of last year in the European Union. Safety legislation was framed to prevent needle-stick injuries and that's now going through the process of being adopted by individual EU member states. The whole shift here is away from passive safety to more automatic ways of preventing needle-stick and sharps injuries. So, our ability to innovate in this space has been the focus.

**SLIDE 28 – KEEP PEOPLE SAFE: KEY BRANDS**

Some of our key brands, well, there's one key brand that that's Jelco. It's been well recognized. It's been in existence for 30 years and we operate in three principle areas under the Jelco brand. The first is an intravenous safety and conventional catheters and our safety catheters fully protect the needle so that we can prevent needle-sticks.

We're also in blood draw, again, used for routine blood draw where we protect the healthcare worker from needle-stick injuries and also from blood-borne pathogens, very important. Then in needle protection, we've been in this business since the end of the 1970s where we offer various types of needle protection for insulin, TB and various vaccines. So, strong brands, been around for a period of time and I'm going to articulate later how we built on those brands in our global markets and the types of investments that we've made in order to continue to grow the business.

However, I'd like to pass this back now to Srini who will talk more about some of our global functions.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

**SLIDE 29 – DEPTH & BREADTH IN GLOBAL MEDICAL COMPANY COMPETENCIES**

Thanks, Stuart. I'd like to round out this introduction to Smiths Medical. You heard a little bit about our products, our brands, our customers, our markets, segments. Now, let's take a little look internally to the company itself. I believe we now have a very, very strong platform with depth and breadth in all of the key competencies that I believe are important for a good medical company.

In R&D -- and again, I'm not going to read through all these bullets but to say we have a strong R&D function with something like 350 engineers with expertise in all-American high-volume automated assembly line kinds of products, in hardware, electromechanical design, software, et cetera. In sales and marketing, we are well-distributed worldwide. In all of the major markets,

we are direct to market and then in some of the emerging markets we go through distributors. We have strong clinical understanding in each of these markets because we've been there for a very long time.

We have deep relationships with customers, a lot of brand equity in these product lines and in most of these cases they're as well known in their space as, say, as Xerox or Kleenex would be and we've been in the inception of many of these segments themselves, so there's those strong brand recognitions. So, if you go to China today and ask about Portex any major hospital in China, they know the word Portex and there's a lot of investment of the picture of quality, a company that stands behind it and solidity.

We're a very well-run financially managed company. We tend to do things prudently. I think we have strong controls in place. You'll see and no doubt you've seen some of that in the financial results itself from a cash conversion point of view, margin improvement point of view, price delivery point of view, DSO reduction point of view.

So, there are a bunch of things that you would expect to see in a good, well-run, financially managed company and I believe we have those characteristics. Probably the biggest change in the last three years has been in our operations capability and a lot of credit for that goes to Ron Frisbie, who's here and I'm sure many of you have met him. He's our VP of Operations.

And what he's done since he's arrived is to build an integrated global team that essentially takes people who grew up in multiple sites and multiple different cultures and put them together through common data cards, common KPIs, common ways of running operations so that more and more and more today versus, say, three years ago you literally can go into multiple operations within the company and sense that it is actually one company.

That wasn't the case four years ago and a huge amount of work has been done by Ron and his team. Equally important in that has been the fact that we've completed our ERP implementation and that ERP implementation really does help to bring a systemic glue to the company.

You'll see today that we've exhibited over the last three years some pretty serious competence in Lean and Kaizen. So, for example, in this facility itself, in St. Paul, we've managed to absorb the plant consolidations that we've done. We closed down our plant in Duluth, Georgia. We closed down a plant in Wilkshire, Wisconsin and we've been able to fold all of those operations into our factory here with no increase in floor space, all through lean activities and we'll demonstrate some of that to you. So, I think we have some real competency both here as well as in Mexico and other places around the world.

Our supply chain, which used to be -- when I got here there were two supply chains. There was an international supply chain and a US supply chain, which didn't make much sense to me. Ron and his team have worked diligently to really integrate that global supply chain. Now, some of that was driven by systems. The fact that we had 40 underlying systems you had to have sort of totally different ways of running things.

Now, we have visibility to our inventory in two major distribution centers, one in the US, one in [Naimeg] and in Holland and we have full visibility to our inventory flows. And I think that's a very big deal because we ship something like 136 million shipments to some 73,000 customers globally and we're doing it increasingly with very, very high hit rates.

Last but not least, I've given you, I hope, a feeling that we're a company that believes in regulatory and quality assurance excellence. Under Russ Davies, who's also here -- some of you may have met him last night. Russ has done a fabulous job over the last 2.5 years of integrating this global team of regulatory and quality assurance folks and increasingly turning their face outwards.

And outwards from the regulatory team's point of view is the regulatory authorities, having a respectful, proper, good, working relationship with those folks, understanding what their expectations are and living up to those expectations proactively is, I think, the hallmark of a good medical company and we're doing that at a level that three, four years ago you would not have seen.

Important in doing that efficiently is to have common global quality systems and processes and that's something that Russ and his team have put in over the last two to three years. All of that has proved itself out in the bottom line. We've seen the improvements on quality cost reductions. We've seen the number of issues go down. We've seen the response rate of the company really a lot more snappy today than it was three years ago.

I was asked last night what keeps you up at night and I can tell you that four years ago, one of the things that would keep me up at night was the prospect of a warning letter from the FDA or some other kind of inspection. And I was troubled by it in those days primarily because they were such fragmented systems that I couldn't put my finger on it and say, "I know exactly what our situation is."

Whereas I can tell you today that we have deep processes, monthly reviews, red, yellow, green kind of charts that tell us exactly what our status is, what our response rate has been to customer complaints, et cetera, and we do that so routinely today that it's not something that I worry about anymore because we know it's under control. That is not to say that there'll never be issues. When you're in the medical business, you're going to have an issue from time to time. It's what you do when that issue shows up and how quickly your processes snap into place that really differentiates you and I feel a whole lot better about that today.

***SLIDE 30 – SMITHS MEDICAL MANAGEMENT TEAM - COMBINATION OF DOMAIN EXPERTISE, SMITHS LEADERSHIP DEVELOPMENT & NEW TALENT***

I talked a little bit about the Smiths Medical management team. I think we now have a good combination of deep domain expertise in all of the functions that are important to running this company. We have a very good combination of people who are Smiths Medical people, developed by Smiths Medical leadership development processes over a number of years. Stuart, for example, has been with Smiths Group for 12 years and has come up through the Interconnect business where you were yesterday and then joined us four years ago and has risen rapidly through that process.

And then, we've also been able to attract new talent from some of the companies that you see in here. So, I think we have a very good combination of medical business expertise, functional expertise in the case of people, like say, Ron Frisbie or Russ Davies in their areas. Ron came from a couple of decades of experience at Ford, so he knows operations; he's run factories in Mexico.

But all of that brings a pretty diverse team of people who've operated in multiple countries, done acquisitions, integrated them, et cetera. And that domain knowledge, I think, is the foundation for why I feel very, very confident about the next generation of growth.

***SLIDE 31 – HOW WE RUN THE BUSINESS - CUSTOMER FOCUS, PRODUCT SPECIALIZATION, GLOBAL PROCESSES***

People always ask us how we run this business. Those people who've known this business in its past have seen that the fact that there were four P&Ls, there seem to be sort of a very psych-dependent culture. All of that used to be true. This is the way we run the business today. We have instituted one global product management organization where there are global product managers who own the major franchises, whether that's infusion or safety or airway.

They interface with the regional managing directors, or regional sales and marketing general managers who operate in those regions that you see there, Northern Europe, Southern Europe, et cetera. And then at the same time, on the third axis we have the global functions. So, in all of these key functions, whether it's finance, operations, HR, supply chain, we have globalized as many of the processes as we can.

We're well advanced in there. There's more to do, but in putting this capability and allowing it to permit very strong customer focus by the regional organizations, strong product and technology expertise in the global product management organization and then really deep functional expertise from an operations or supply chain, et cetera, point of view we're able to bring this together pretty nicely in my opinion.

I'll stop there. It's time for a break. We're pretty much exactly on time. Let's take a quick break. The coffee is out there. With some luck, there's something on the TV that we might want to check into and then we'll start up again at 9.45.

(BREAK)

**PRESENTATION**

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

**SLIDE 32 – SMITHS MEDICAL: ACHIEVING OPERATIONAL EXCELLENCE**

Great, if you're ready to start again, I thought what we'd do is give you a little feel for what we've done in the last couple of years. And a lot of it has been essentially moving this company very rapidly into what I think of as office operational excellence. And operational excellence is not just about operations, it is operating the Company as a whole. Let me give you a little feel for the challenges we faced in 2007.

**SLIDE 33 - MULTIPLE STRATEGIC INITIATIVES IN 2004-2007 PERIOD STRETCHED THE BUSINESS TO THE LIMIT**

Essentially, over the period between say, 2004 and 2007, I think as a company, Smiths Medical took on way too many strategic initiatives and trying to do all of them at one time really led to a severe set of challenges. I like to show these challenges with this following set of tale of two cities chart.

On the left, you have vital care and safety backorders, and you can see the timeframe. That's characterized by very high SKU count and a lot of product variety. On the right-hand side, you have, essentially, medication delivery backorders, which are characterized by low SKU count and relatively modest product variety.

On the left, what you see is in that period from 2004 to 2007 or so, multiple organizational restructures. The bulk of the Medex integration fell into that space. Manufacturing rationalizations moves to Mexico, et cetera. And then, the very bulk of that Oracle implementation was all focused in that area. Right now, in the summer of 2007, we really had the highest backorders probably in the history of Smiths Medical. But with single-minded focus, we've driven that down to historical lows now.

Now, on the other side, what you see is the Oracle implementation didn't come around to the medication delivery business until later until we've gotten control of it. Minimal manufacturing rationalization in that space, Medex integration hardly touched that space at all. And those are relatively stable management team in that place. We didn't have much of an issue in that space.

So, what's important to understand is we really do have our handle on what caused the issues. It was the fact that we were trying to do too many things all at once, and there just wasn't the management bandwidth in that 2006, 2005, 2007 kind of timeframe to be able to handle that. A lot of what we've done is, in fact, to go after the fundamental issues, not just about backorders. Backorders are a symptom. It's the underlying capability of the Company to really operate on a successful basis that we've gone after and I think we've got pretty good control on now.

**SLIDE 34 – STRATEGIC PRIORITIES COMMUNICATED TO ALL EMPLOYEES - AND RELENTLESSLY EXECUTED**

Let me tell you how we did that. First and foremost, we said there are going to be six things that we are going to do, and we're just going to focus like banshees on just those six things. We communicated them to all employees, and then we relentlessly executed on those. So, what are those? First and foremost, add critical leadership. So, people like Russ and Ron came on board into new roles either from outside or from inside, but essentially streamlined the operations team and supply chain organization.

We knew in 2007 that as we were implementing Oracle, we had not done sufficiently the upfront work in making sure that the management team understood what processes had to change. And if you've been in the business world for a while, you know that the first thing you do in any Oracle implementation is to get to common global processes and then digitize those rather than try to impose an Oracle solution onto multiple fragmented processes.

So, what we did is we had the courage to stop all Oracle rollouts, stabilize that whole area and then execute a business transformation plan. And I must say that I'm so proud of the team that over the last two years, every go live has gone exactly on time, exactly on the budget and exactly with the results that we wanted out of that. We also had to design and execute a multi-phase operational excellence game plan and Rob will take you in the next few pages to show you how we did that.

I was very frustrated in 2006 to realize that if there was going to be variable cost productivity, it would sort of come as a happenstance. There wasn't a programmatic way to deliver it. I think that any good company should just have a machine that wakes

up every morning and delivers variable cost productivity. We didn't have it in those days. We created and drove a sustainable, variable and base cost production game plan. We have that in place now.

And when I got here, there was something like 15 to 17 underlying R&D processes. Why? Because there were 15 to 17 sites that had never been integrated in any sense of the word, they were run by multiple P&Ls. It's just the way it was in those days. I believe that if you want to be a consistently growth-oriented global medical company, you can't afford to have multiple R&D processes. So, we really got the team together and locked them up in a room and said, "Come back to us with one toll gate or phase review kind of a process." We now have one common global R&D process.

That then allowed us to understand where different R&D projects are or were, which then allows us to understand exactly what the performance is from a milestone endurance point of view. And then, now that we were on one common global terminology, we were able to sit back and say, "How are we going to get control of the R&D spend in this organization, make it more effective and target it at the highest internal investment opportunities?"

Last but not least, during this entire timeframe, we knew that simply working on fixing the underlying operational aspects of the Company, while that's important, it's only a necessary condition. It's not a sufficient condition. The real prospect of growth comes from driving new product introductions as well as expansion into developing markets. And we have done both of those. We have grown very respectably in China and in India, in Middle East during that timeframe.

It hasn't been easy simply because I don't think we had the structure right at that time. But now with the changes that we've implemented in the last week or so, we've now got one common global organization, using the best practices that we've developed in the US from a market analysis point of view, a very data-driven, data-rich way to understand what's going on in the marketplace. And then, we're going to be implementing that globally as we go forward.

You've probably read by now all of the status points on the right-hand side. So, I'm not going to belabor them other than to say we have gone through a set of challenges in the 2006-2007 timeframe that I really believe are behind us. We have a stable platform now. We think we've got the necessary condition, and now we're going to work on the sufficient and I hope to show in the rest of the presentation what we intend to do to drive growth forward.

But to round out this whole area, I'll ask Rob White, who is our Finance Director, to come up and take the rest of this segment.

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**Rob White - Smiths Group - Finance Director - Smiths Medical**

#### **SLIDE 35 – DESIGNED & EXECUTED AN OPERATIONS EXCELLENCE GAME PLAN**

Well, thanks, Srin. Good morning, again, to you all. As you have seen from Srin's chart at the beginning of this section of our presentation, Smiths Medical's backlog position peaked in 2007. A step function improvement in our operations capability was required urgently.

Now, the three bullets on the left summarize our view of what operations excellence means for Smiths Medical. A global supply chain needs to link supply and demand. Operational performance should become a competitive strength, and customer service should meet or exceed customer expectations.

We achieved this, as Srin has mentioned, by bringing new operations leadership in the form of Ron Frisbie and developing a road map to recovery, prioritizing the remedial actions necessary for lasting progress and framing KPIs with which to measure our performance. The road map we developed in 2007 is shown here on this slide. Today, we've stabilized the business, but we've not quite finished our work. We are now working hard on the remaining optimization actions necessary to persuade ourselves that we deserve the label of operations excellence.

#### **SLIDE 36 – IMPLEMENTED MAJOR PROGRAMS TO DRIVE OPERATIONAL EFFICIENCY**

I mentioned on the previous slide that a global supply chain needs to link supply and demand. The challenge with making this connection in 2007 was that we were effectively running multiple supply chains, trying to satisfy demand in each country with local inventory management. It simply doesn't work, at least not efficiently in a globally run business like Smiths Medical. So, we focused

on properly connecting the demand and supply sides of our business and now, we have one global supply chain with full inventory visibility across our business supported by a consolidated view of demand forecasts from our teams across the world.

As part of this process, we've also consolidated the number of ERP systems down to one platform, and not just one version of the software, a single, global instance. The result, as you know, is that we were successful in reversing the earlier backorder issues Srimi showed you on the chart, therefore improving our customer service levels. And we did all of this while driving inventory down and improving inventory turns to 3.4 times.

#### ***SLIDE 37 – REDUCED BUSINESS COMPLEXITY FROM P&L DOWN TO SKU LEVEL***

We've driven simplification and consolidation across every part of our business, and we continue to do so. At the half year, as the chart illustrates, we have moved from running the business with four P&Ls, with two in the US, two in the rest of the world, to just two, North America and international. And as we've already said, last week we went further and consolidated these further just to one global P&L.

As we previously announced, we're also driving down the number of SKUs in our business and in Phase I of our efforts earlier this year, we eliminated 3,000 SKUs. We continue to work on further phases of this review process. We've reduced the number of stocking locations, including the closure of our facilities at Otay Mesa in California and Churwell and the consolidation of various inventory locations in Europe. Similarly, we've consolidated manufacturing and closed locations such as Duluth, Georgia, Hythe, Wampsville, Watford and [Walkashore] while continuing to rationalize both direct and indirect manufacturing headcount.

While we've taken these structural initiatives to remove fixed costs, we've developed our capability in value engineering, which has become a business-as-usual process now in Smiths Medical in which we continue to drive unit product cost down. All of these actions drive gross margin improvement, reduce the fixed cost base in our business and improve the operating leverage of the business.

#### ***SLIDE 38 – DROVE COMMON GLOBAL ERP SYSTEM TO TIE 40+ SITES & ESTABLISHED SCALABLE GROWTH PLATFORM***

The implementation of Oracle was, as you've heard, a challenging, sometime eventful journey, but now provides a robust foundation for the further development of our business. We have effectively eliminated the multiple former systems, and Smiths Medical now operates on a single instance global platform.

And it's worth highlighting that we've been bold, not only in the geographic region of this implementation, but also in terms of its depth. We've chosen to implement a very deep set of Oracle modules covering almost all of our core business processes. These processes include manufacturing, procurement, supply chain, service and repair, auto management, contracts and pricing, human resources and finance. In our view, the need to cover all core business processes on a single global instance like this is essential for a business that operates on a global basis. It's also a goal that many other businesses that consider themselves world-class would aspire to achieve.

One example of the benefits we're seeing now is that 40% of our sales value is now taken electronically, directly into Oracle with no human intervention whatsoever, all the way through from taking the order to issuing the customer invoice, and this is a number that we intend to drive upward. Our teams see this as a genuinely exciting time in which we start to leverage this enabling platform with real analytics and drive commercial insight.

#### ***SLIDE 39 – INVENTORY TURNS TRENDING FAVOURABLY***

As we've noted already, the benefits we've started to drive with the help of our global ERP include a marked improvement in inventory levels achieved simultaneously with a steep reduction in backorders. We now benchmark very respectably with the best of our competition, but still believe that there is further benefit to be extracted ahead, particularly as we drill down into raw materials and component inventories. And likewise, we'll continue to work on optimizing finished goods inventories as well as we refine our lead time and safety talk settings in Oracle.

#### ***SLIDE 40 – RECEIVABLES - CONTINUED OPERATIONAL IMPROVEMENT***

Receivables management is another very good example of the benefits we're now realizing from our attention to policy, standard processes and a common system. DSOs have been driven down across our business in both North America and in the international businesses, and I think it's a testimony to the determination and skill of our teams that during the period that we rolled out this new platform, we simultaneously integrated the operations and accounts of the former Medex business and we did this with minimal credit-related write-offs. And while we're not immune from the credit pressures in some of our markets today, our credit concentration at customer level is low. Our teams are highly experienced in their own markets and are now supported with world-class information.

***SLIDE 41 – EXECUTING ON G&A REDUCTION TO REINVEST IN SALES & MARKETING***

Now that we've been heavy lifting off the ERP implementation essentially behind us, we're working hard on converting money we've previously consumed on support costs into investment and growth activities.

In the US, for example, earlier this year we drove support costs out of sales and marketing by consolidating and de-layering our sales force management structure. We're also making significant progress now in the area of shared services. Two years ago, in this building, we employed over 80 people in finance and customer service. This building wasn't the main administration center for Smiths Medical North America. That's in Dublin, Ohio.

We eliminated half of the positions here through the diabetes exit and consolidated the remaining activity into our shared services center in Dublin, Ohio. And this year, we've done more of the same as we've moved administration activity out to Walkashore into Dublin, Ohio. All in all, in two years, we have reduced finance and customer services headcount in the North American business by nearly 40%, and we continue to review ways to achieve further streamlining.

These savings give us the financial headroom to build up our sales and marketing capability through the creation of the global product management team, developing key account management tools and competences and recruiting sales talent across the globe. We're supporting all of this investment with new training and development and with business intelligence tools leveraging our global ERP system.

***SLIDE 42 – CREATED A SINGLE COMPANY, GLOBAL BRAND COHERENCE***

Our approach to brand development squarely reflects our effort to simplify the business. The cluttered branding landscape of the Smiths Medical of a few years ago with over 100 company and brand names is a suitable reminder of our history as the product of serial acquisitions. We operate today with a cleaner and clearer branding strategy where we focus our efforts on leveraging the strength of 12 hallmark brand family names without losing the connections with our loyal customer base.

***SLIDE 43 – CONSOLIDATED, FUNCTIONALIZED & STREAMLINED RAQA ORGANIZATION GLOBALLY***

Meanwhile, regulatory affairs and quality are vital functions in any medical device business, as Srimi has already described, and clearly an area that we will continue to resource properly and effectively. In fact, we've been able to build a markedly more effective team by being smart about the way we organize our activities in this area. And last year, we globalized our AQA under the leadership of Russ Davies aligning compliance and product quality activities with the relevant areas of our manufacturing operations and regulatory and design insurance with our R&D teams. Globally, we have over 300 dedicated technical engineers involved in our AQA activity.

Now, Srimi's already mentioned the key foundations in this area are establishing common policy and procedures, developing simple and relevant metrics and driving endurance studies across our businesses.

***SLIDE 44 – SUMMARY: TRANSFORMED THE BUSINESS IN 3 YEARS***

The last slide in this section of our presentation summarizes some of our key achievements in transforming the business over the past three years. I won't read all of these points out, as I know you can read them.

Most importantly, on each and all of these items, you'll get the sense that we've been building a platform that extends across all functions of our business. Furthermore, each one clearly reflects the benefits we're starting to see from leveraging this platform as we move from establishing operational excellence to driving growth and creating added value.

And at this point, I'll hand back to Stuart. Thank you.

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**Stuart Morris-Hipkins - Smiths Group - President - Smiths Medical North America**

**SLIDE 45 – SMITHS MEDICAL: CREATING VALUE**

**SLIDE 46 – FOCUSED ON CREATING VALUE**

Thanks, Rob. Okay, I want to move into talking more about how we are creating value, value for our customers, value for our stakeholders and shareholders. And I want to start with, really, a summary in the various ways that we are creating value within the business and these are just some of the highlights. The first is we continue to make effective investments across our portfolio and look at different ways of improving our speed to market of new products.

We've got various growth initiatives from new products to new sales channels. We're increasing our sales force effectiveness in the various regions with various customers and continuing to invest in our emerging markets such as China and India. We are creating value by expanding and investing in new opportunities away from our core. And I'll highlight some of those in the forthcoming slides. And as Rob has highlighted, we're funding our investment in sales and marketing by reducing our G&A spend, so a commitment to investing in the growth of our business.

**SLIDE 47 – INCREASING TECHNOLOGY SPEND EFFECTIVENESS**

Talking now about technology spend effectiveness, we have now one common global new product introduction process. We had 12 before. We've reduced the number of projects that we've worked on through a clear prioritization process and that process is focused most on the short-term and long-term value creation. A great deal of effort, though, has been put on the front end of our new product introduction process and that's through voice of the customer activities that includes a human factors approach.

The marketing teams have also improved the processes that we have in place to commercialize our new products in regions around the world. This has led to a reduction in our time to market for our new products and improved commercial success that we've achieved by these activities. We've also achieved this by outsourcing to third-party companies some of our backend R&D processes.

**SLIDE 48 – 'R&D AS % OF SALES' METRIC BELIES SIGNIFICANT ACHIEVEMENTS**

If we now look in more detail about our R&D spend as a percentage of sales, 3.7% this year with a weighting towards infusion and vital care products. However, this percentage belies the significant effort that the R&D team has, in fact, put into delivering 8% variable cost productivity and GBP5 million of un-quality cost reduction. So, the commitment to invest is there, but we've also committed to continue to drive value by taking cost out of the business.

**SLIDE 49 – GROWTH INITIATIVES: DELIVER MEDICATION**

I want to highlight now just some of the growth initiatives that we have in the three pillars, and I do want to start with delivering medication and our CADD Ambulatory Infusion product. I said earlier that this has been recognized since the 1980s, and we've continued to innovate in this space. CADD Solis is a simple-to-use product with a color display, has an improved user interface and is designed to 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 and continues to gain market share. It is also now available in nine different languages. Patients like this device because it's easy to carry. Nurses like it because it's easy to use.

In hospital infusion, the Medfusion 3500 syringe pump, which is shown here, has a leading market share in children's hospitals in the United States and is gaining momentum through small volume infusion techniques in adult intensive care units in the United States. It's the accuracy of this pump low flow rates and the ease of use of our PharmGuard Medication error prevention software that clinicians really like.

Our next generation pumps will wirelessly link the Medfusion pump to hospital information systems and middleware IT companies servicing the hospitals so that clinicians can make informed decisions using real-time data. In addition, we'll have a suite of user reports available on our medical device server. Our low-cost Graseby pumps have a leading market share in China and we continue to upgrade the features on those pumps and develop pumps and platforms for the international markets.

#### ***SLIDE 50 – GROWTH INITIATIVES: PROVIDE VITAL CARE***

If I move now into the vital care area, again, based on our Portex brand that you see here, we've continued to evolve and expand into adjacent therapy areas. This includes chronic airway management, applications such as asthma and chronic obstructive pulmonary disorder, or COPD. We've recently won a gold medal, which is the highest award given by the Medical Design Excellence Awards competition, which is presented by the publishers of Medical Device and Diagnostics Industry Magazine for a UniPerc Percutaneous Tracheostomy tube that's used in obese patients and bariatric centers around the world.

By combining our Portex Regional Anaesthesia products with our CADD Ambulatory Infusion pumps, we can provide a complete solution for the management of both acute and chronic pain. We have developed lower-priced products for our emerging markets and continue to focus on reducing hospital-acquired infections with our product introductions.

In regional anesthesia, we have developed a unique device which ensures that no misconnection can occur during an epidural or spinal procedure. This will reduce medication error and wrong drug delivery errors that occur in hospitals. We are looking, also, to take this concept into our infusion space. In summary, our devices are simple, but our designed in conjunction with clinicians around the world.

#### ***SLIDE 51 – GROWTH INITIATIVES: KEEP PEOPLE SAFE***

Moving now into our keeping people safe pillar; just some of the growth initiatives here. Our Deltec brand has been around for 20 years in the oncology space through our ports and our port access needle business. Our GRIPPER micro access needle is the smallest access needle on the market. This helps patient comfort during chemotherapy treatment.

Our recent launch of our CT Marker, shown here, offers the clinician a clear identifier as to which patient is a power injectable user. Again, it's very important during chemotherapy treatment. Our Jelco brand, recognized for decades in the needle space, continue to successfully sell our EDGE product range seen here, which limits drug wastage by eliminating dead space in the syringe. We have the lowest dead space on the market, which saves the hospital on drug costs.

#### ***SLIDE 52 – REGIONAL GAME PLAN - BE LOCAL IN ALL KEY MARKETS***

Just talking now about our game plan, we are a global worldwide business but with regional presence. We've been in business for 50 years, and the game plan is to remain local in the key markets with our sales and marketing presence. In the Americas, which is the largest market for Smiths Medical, recent investments over the last 12 months have been on sales force effectiveness, and we have introduced a key account management team, which has been very successful in growing the business.

In Europe, there's an opportunity to leverage our safety portfolio through legislation I highlighted earlier. This will continue to present itself and it's our ability to convert over customers using a direct sales strategy as well as through distribution. Our emerging markets in China and India represent another growth opportunity with our existing portfolio and also for our Smiths Medical Zhejiang infusion pumps where we maintain a leading market share. We have both direct and distributor sales teams in place positioning us for growth.

#### ***SLIDE 53 – STRONG CUSTOMER POSITIONS – ABILITY TO LEVERAGE PORTFOLIO***

I want to talk a little bit about our customers now. We have strong customer relationships and positions around the world, suppliers to national healthcare systems, such as the National Health Service in the United Kingdom and through large distributors, such as Owens & Minor and Cardinal.

Separately, we maintain very strong clinical relationships and positions with top hospitals around the world. In the US, per rankings issued by the US News & World Report, we have a position with 97% of the top US hospitals and in all the top children's hospitals. Our customers really are supported through a variety of different ways in our sales channels and in those sales channels, we have

sales personnel, such as account managers, account specialists, clinical education specialists, and we offer various education programs to nurses.

***SLIDE 54 – INVESTMENT IN CHINA ACQUISITION PAYING OFF***

Our investment in China is paying off. Our acquisition of Smiths Medical Zhejiang and also our general investment in China is paying off. The acquisition has provided us with a strong market position in infusion and also a position for further growth. We have continued, though, to invest in all functions and will end fiscal year '11 with 250 employees with plans to expand beyond that. During this time, we will have achieved an eight-fold increase in revenues in China by next year through, again, our existing portfolio and infusion.

We are making further investments and upgrades to our pumps under the Graseby brand. We'll also make this pump available to be launched into other international markets.

***SLIDE 55 – INVESTING TO EXPAND THE CORE***

I want to talk now about how we're investing to expand the core. There are some significant opportunities in these various spaces. I want to highlight some of these now. In the safety space, using our anti-microbial technology, we're looking to introduce that into our products to prevent infection; working with the EU to sell safety products based on legislation changes.

In vital care, we're moving into heated humidification using Smiths Medical water and circuits. We also have a strong space in patient warming, and we're examining the cooling space as clinical evidence continues to emerge to improve patient outcomes in both cardiac and stroke cases. In medication delivery, we're ensuring that our pumps can connect to hospital IT systems and middleware companies and we're looking to offer our low-cost infusion pumps for emerging markets.

***SLIDE 56 – ALREADY MAKING INROADS IN HIGHER GROWTH SEGMENTS***

Just some real details now on the next slide about how we're making those inroads. This moves us from a full GBP4 billion served market to a GBP9 billion served market. And I want to highlight three examples here of some of the activities that are already underway.

[AgTiv] is a silver eluting polymer that we've used with our CVC range. As reimbursement changes occur with certain procedures that are not being reimbursed, we see the introduction of our anti-microbial polymers as important to our portfolio. With Theraheat, we have launched an active heating system together with associated circuits and water reservoirs targeted to both the adult and pediatric intensive care units. And we're selling both the hardware and disposables that allow us to leverage the rest of our respiratory portfolio.

With our Smiths Medical Zhejiang pumps, we're using our base of China infusion pumps to upgrade and develop and add additional features and languages for international markets. This will lead us to create a next-generation suite of hospital infusion pumps and platforms. So, we are reshaping Smiths Medical to exploit the opportunities, and we are poised for growth.

What I'd like to do now is to pass you back over to Srin, who will conclude this presentation. Thank you very much.

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***Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical***

***SLIDE 57 – MARGIN IMPROVEMENT OPPORTUNITIES***

Thanks, Stuart. The question always comes up. I think we've made good progress in terms of margin improvement over the last couple of years and is our guidance of between 20% to 24% still valid? I thought it would be useful to use a slide like this just to say here we are, 21%. Here are the pressures that we face and net of those, we feel pretty confident that we will be able to deliver in the moving this business up towards the 24% kind of range.

All of these opportunities and pressures are now well-known to you if they weren't before. I think we've sort of tried and laid them out during the day today. If you look in terms of internal pressures, we are going to invest more in sales and marketing. That will obviously take money to do that as well as accelerate our new product development, put more money into R&D.

Externally, you see that we have reimbursement pressures, healthcare economics pressures. All of that is going to translate, whether that's through tenders or through group purchasing organizations or DRGs. However you look at them, that means sustained price pressure that is just natural to this market. We have faced it before. We're going to continue to face it.

Obviously, as the economy improves in various segments and sectors take off, there will be pressure on input costs in terms of material and labor inflation. That's why variable cost productivity programs are so important, so that when you focus on that, you counter the certain realities of the marketplace.

And then, with the FDA getting stronger and more stringent in its regulatory pressures, that is absolutely leading to more work, more cost, in terms of responding to them. If I could show you the number of pages that it takes to respond to an FDA submission for a 510(k) clearance, it is significantly -- I mean, if I could just show you the photograph of what it takes, it's a significantly higher cost.

But along with that, that's -- the bad news is you've got to do a lot more work to satisfy them. The good news is so does everybody else and that's just going to make it very, very tough on marginal companies. And if you have a good game plan on how to do it right, I think that's a source of competitive advantage and I'm, in fact, much, much more confident of that situation today.

Then, on the opportunities side, we've, I hope, taken you the prospects in terms of new products. We think we have only started to scratch the surface in terms of leveraging the portfolio. I think we've made very, very good progress in North America in the last two years on that front as we've integrated the medication delivery and critical care businesses into one North American organization over the last two years.

Now, we have that opportunity to replicate that same success in the rest of the world. We've done a lot of work on sales effectiveness, sales streaming, sales competency, mapping, GAAP identification, person-by-person development plans. There's a lot of nuts and bolts work that was done in spotty fashion in some places around the Company four years ago. Now, it's an integrated program that's driven by a sales competency team that does nothing else for a living. And now, we have that same opportunity to extend that across the world.

We've shown you some of the actions that we've taken in terms of emerging markets. Value engineering and sourcing initiatives are paying off and will continue to pay off. Bottom line is I think we have a lot of vectors on which we intend to execute to counter the pressures that any normal company in the medical space faces.

With that, I feel pretty confident that we should be able to deliver to the guidance that Philip Bowman has provided. And in fact, that guidance didn't come out of just his expectation. We've worked very, very hard with Philip to develop exactly the game plans by which we feel confident and I just reiterate that position today.

***SLIDE 58 – SOLID GAME PLAN IN PLACE FOR NEXT 3 YEARS - CONTINUOUS IMPROVEMENT, BUILDING ON STABLE PLATFORM***

I'll try and summarize in the next couple of pages simply to say I think we have a solid game plan in place. We've moved from reaching for operational excellence to delivering, I think, on operational excellence. And then, I think we've moved now into the newest improvement space. That's very, very important because as we drive change initiatives, I would say four years ago a lot of the changes that we drove were very, very uncomfortable. Many, many people had grown up in particular silos or particular functions or a site-based culture, and a lot of the change was very uncomfortable.

I think, today, we have a new team that is energized, understands that, actually, continuous change is the only salvation in a world that wants to change in a number of different directions every year. That takes resilience in an organization, in fact, almost a passion for change and a passion for execution credibility. I really believe we have that today.

That's manifesting itself in a number of ways. Regional marketing, sales effectiveness, key account focus that Stuart Morris-Hipkins talked about, something I feel very passionately about, which is value to your portfolio for emerging markets growth. Some of us at dinner last night talked about it. I don't think those products are going come fundamentally out of Western locations. So, I think you

have to be in China to be able to develop products for the Chinese market, and you have to be in Asia to be able to develop new products for value to your markets, not only in Asia, but in Latin America and other places around the world.

I really believe we are on the verge of a step change in terms of global new products impact. If you saw the way we developed products and globalized them, say, five years ago, there was a very methodical approach to globalization in terms of languages, for example. Now, when we do a new infusion pump platform, we come out in multiple languages very, very quickly. That's taken a complete mindset change as well as a fundamental willingness to say, "If you don't come out with multiple products in multiple languages, you're simply not going to get the ball rolling." So, I think we made a real progress in that.

We've talked a lot about operational excellence to best-in-class standards. We've made a lot of progress in my opinion, and we're on the verge in the next couple of years to achieving best-in-class, whether that's in inventory turns performance or cash conversion or a number of other metrics.

We have, today, the best chance of many, many companies to really take deep, broad data and slice and dice our business by customer, by segment, by product, by region and look at our business in a number of different ways to ascertain from there where the profit improvement opportunities are, where the sales growth opportunities are.

We can start to ask questions today as to why penetration of a certain product is X in a particular region and nothing near it in another region. Is that because the fundamental demographics are different? Is it because the sales training history was predominantly one way in the past? Is that something we're going to have to change? Now, all of those game plans are possible. And then, last but not least, it's just basic health and hygiene, which is total variable and base cost focus and if we keep at it, I think we will deliver.

#### **SLIDE 59 – SMITHS MEDICAL: THE INVESTMENT CASE**

I end what I started, which is to reaffirm the guidance that Philip has given in the past in terms of near-term, medium-term growth in terms of sales growth as well as net margin. I emphasized when we started these factors that I believe essentially bode well for a medical company such as ours in the spaces in which we are.

And I'll end by saying the thing that I am most proud of, and that's the team that we've built. This is a team that has matured and has really begun to understand what it means to run a complex global organization. Complexity is, in my opinion, the enemy of progress. This company, this team, understands how to break complexity down into a simple way to execute with high credibility.

Those of you who know Philip know he's a tough taskmaster. We've enjoyed the fact that over the last 2.5 years, consistently, our reviews with him really reaffirm that when there are big, deep questions to answer about the medical business, every single time we've stepped up and been able to deal with it. And that's something that it's that Socratic dialogue process that I think toughens us. We're getting better and better at it. Obviously, his challenges continue to stretch. Peter is new, but already he has not shown himself to be shy and we'll continue to endeavor to deliver.

With that, I just note that we are well ahead of schedule. I don't know what you want to do with it. Everybody wants, at least the English fanatics, want a five-minute check on how England is doing and then come back for Q&A or you want to launch right into Q&A? It's up to you.

#### **SLIDE 60 – QUESTIONS?**

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#### **Unidentified Company Representative**

Well, we can -- we have a 10-minute break.

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#### **Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Five?

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**Unidentified Company Representative**

Five to 10-minute break, yes.

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**Srini Seshadri - *Smiths Group - Group Managing Director - Smiths Medical***

So, for the football fanatics, maybe a five-minute peak into the room and come right back loaded for questions.

(BREAK)

## QUESTION AND ANSWER

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**Peter Durman - Smiths Group - IR Director**

Okay. Well, thanks very much. We'll now move into the Q&A session. I will [hedge out] -- I'm Head of Investor Relations at Smiths Group, and we'll be placing -- passing the questions out to the team here. So fire away.

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**Alex Toms - Bank of America-Merrill Lynch - Analyst**

Hi, it's Alex Toms from Bank of America-Merrill Lynch. Just I guess a series of questions. On slide 57, you kind of talked about some further cost saving initiatives for the G&A, probably bits to come out of pricing and bits to come out of sourcing. Can you maybe quantify some of those and maybe also quantify the investment that needs to go into sales and marketing and into R&D? And I guess tying that -- all up together, what's the priority for the group? Is it 24% operating margins or is it higher R&D? How do you prioritize those in terms of the margin target? Thanks.

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**Peter Durman - Smiths Group - IR Director**

Well, I'm going to pass that on. I don't wish for any of you to still take -- and maybe pass it onto Rob. But I think I would just preface that by just sort of saying we've always sort of said, within the last year or so, we've said that there's significance -- it's a balancing act, basically, between those two objectives.

The story with R&D has been pretty stable over recent years in terms of percentage of sales. The work that's been done has been primarily on R&D effectiveness and making sure that the investment we're making is delivering and we're getting -- and actually, that's clearly being demonstrated here in terms of the percentage of sales from new products has substantially increased over recent years.

So certainly in terms of sort of thinking about the targets and so on, we're going to continue to try to drive margins up, but at the same time increasingly recycle some of that margin benefit back into investment in terms of R&D, sales and marketing, et cetera. We've signaled this year now that we feel we've got the operational platform right and the R&D platform right, we can start to begin to make that increased investment.

But perhaps Srin, you want to give a little bit more color on that?

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**Srin Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

No, I think you have said it well. I mean, I know there is a question about prioritization. But when you think about it, actually in my opinion, one thing feeds the other, which is volume growth is good from a margin leverage point of view. That volume has to come from not only increased effectiveness in reaching into other regions with more products from the portfolio that we already have, which let's call it sales on marketing effectiveness, but obviously from new product development.

That's just always been the life blood of a medical company, and I think you are to fire on all three cylinders. You're not going to get it from just one of those places.

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**Alex Toms - Bank of America-Merrill Lynch - Analyst**

Just as a follow-up, is it possible, though, to quantify the potential savings or range you could get in terms of -- from SG&A, pricing and from sourcing initiatives? Have you quantified those at all --?

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

No, not right now.

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**Peter Durman - Smiths Group - IR Director**

I mean, we've not done it by, I mean, as we sort of [structuring say] sourcing initiatives across the group. We talked about 20 million across the group, and obviously medical are contributing to that. We've not kind of want -- we're not planning to break it out. It's become part of the ongoing management of the business to drive cost down and we will continue to do that. There's still further opportunities to drive that further. We're looking at back office services and so on. We continue to look opportunities across the business. We don't at this point in time going to quantify it beyond what we've already said at group level.

Take Martin in the front here. Martin Wilkie here in the front row.

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**Martin Wilkie - Deutsche Bank - Analyst**

Yes, thanks. It's Martin Wilkie from Deutsche Bank. A question on your investment to expand beyond the core; you gave some interesting slides firstly on page 15, 16 showing that you can scale in key segments and that I think suggesting that you don't need to have scale across multiple segments to be successful. But yet, you're all talking about expanding into adjacencies. Now, so I guess there's two questions. Is that expansion into adjacencies M&A? And if it is, where do you extract the value if you're already saying that you don't need to be across multiple segments to be profitable in this business? Thanks.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Good question. I think we spend a lot of time on the definition of the segment itself. So, let me give you a very concrete example. If you look at, and some of us discussed this last night as to are we defining things so narrowly so that we can say we have 20% market share or whatever? I really don't like to get into those kinds of games.

So, let's take infusion. Infusion is a very, very broad space. The vast majority of infusion markets are actually in volumetric infusion, right, so Baxter, Hospira, people like that are in that space. We are and have been for a very long time in ambulatory infusion. So, when we step out of ambulatory infusion, to me, that is core expansion because that's the core of what this building, this business, the Deltec business was built on, was ambulatory infusion, right?

So, our acquisition in China allowed us to do two or three things at the same time, which I think from an acquisition for core expansion purposes, I think you have to do all of those. One, it got us access into China that we never had before at a level that we did not have before. Two, it got us an R&D base that we never had before. Three, that particular organization in China had not only ambulatory infusion products, but volumetric infusion products.

Now, those were being aimed at the Chinese market. It got us into the volumetric space. But what it allows us to do is to put a very solid program of R&D to make that volumetric infusion product capable of withstanding the requirements of international market. So, it allows us to expand into a space that if you just dialed back three or four years, we could never imagine to get into that space from a standing start just out of the simple operations.

Now, why is that? Regardless of how much you invest, there is a huge number of things to be done in this space already, informatics, et cetera. So wireless, there's all transformation that's going on that the team here has more than its hands full. And you can't sit here and just say, "Let's double the number of R&D engineers here and get yourself a new platform."

So, I think that's where the acquisition allowed us to expand into a new space, that if you look at the market from a very big umbrella of infusion, you might argue, "Wait a minute. That's all infusion." But if you look at it from our point of view and say, "You're an ambulatory infusion company. What are you doing tomorrow?" We're getting into volumetric infusion at a level that we never did before.

Does that make sense?

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**Martin Wilkie - Deutsche Bank - Analyst**

Okay, I see. If I'd be allowed a follow-up, you're obviously doubling or more than doubling the size of your addressable market. I mean, do you have a sort of number in mind in terms of investment, or to be determined?

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

To be determined.

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**Martin Wilkie - Deutsche Bank - Analyst**

Thanks.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

But I think it is fair to say that as we look at acquisitions as one possibility, this business of gaining platforms, access to growth markets and then ability to internationalize or globalize those, I think we'll be themed. So as we go forward, China and India are obvious places that we ought to be able to build new platforms from.

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**Peter Durman - Smiths Group - IR Director**

Nigel Ridge, the front row.

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**Nigel Ridge - BlackRock - Analyst**

I'm Nigel Ridge from BlackRock. I've got a question about markets outperformance in that if I look at the presentation when you covered the three segments, I think you talked about market growth between 3% and 4%. So clearly, that is my baseline. If I then look at the message from the presentation, which is all about R&D, both in terms of quantum and also the effectiveness of R&D, coupled with the second point, which was increase our marketing effectiveness, I would expect that you would outperform that market growth.

If I then also reconcile that back with your point about increasing the addressable markets, maybe even doubling, I'm slightly therefore surprised that if I look at the target revenue of 3% to 5%, that's only modestly ahead of your own expectation with regard to market growth. So, I'm just hoping for some sort of response.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

You ready for that one? You want to take that?

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**Rob White - Smiths Group - Finance Director - Smiths Medical**

I'll take that, yes.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Okay.

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**Rob White - Smiths Group - Finance Director - Smiths Medical**

Let's do that.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

And I'll add.

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**Rob White - Smiths Group - Finance Director - Smiths Medical**

Okay, very good. The market growth figures that we present clearly are based on our global assessment of the rate of growth in those segments, are based upon third-party information and the forecast of our competition. If you average all of that out across the three segments, it's probably sort of 3% to 4%. We're looking at a range of 3% to 5%. So, we're certainly looking at achieving at least market growth.

It's important to bear in mind as well that market growth is not just organic sales volume growth. This is the growth of the segments taking into account volume, price and the new product introductions of our competitors as well. So, essentially, our new product investment doesn't necessarily buy us leverage to exceed that rate of growth. It certainly buys us the leverage that needs to achieve that rate of growth and hopefully go beyond.

I don't know whether you want to talk to the adjacencies issues, really?

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Certainly. The thing with all these three segments is there are broad categories of product lines that are obviously summarized within those three segments. We have some areas which are not growing as well as they might. We have other areas where we are investing and trying to grow the business much faster.

So, it's an attempt to balance essentially. If you look at it another way, it's an attempt to balance 30,000 SKUs into three categories and give you a composite picture without completely blowing your brain with what are the growth rates franchise by franchise. Overall, our expectation is to be at least as good as if not better. In this same timeframe, what we've also seen is let's take, again, infusion. Infusion, if you went back just two or three years was, as best as we could see, growing at 9%, 10%.

But in the last two years with the credit crunch and so on and so forth, we're seen that dial back pretty severely. It's a bit hard right now to say, "Here's what the market growth rate is in infusion." We've done the best we can. Is it going to be 0% to 2%? Is it going to be 5% to 6%? It's very hard to tell right now. So, we've tried to come up with an average.

My conviction, though, is the platform that we've built on the basic premise of the question that you ask, which is, "If you say you've done all these things, should you be beating overall market performance?" And my answer is yes, we ought to be doing that and I hope that's exactly what we will deliver. By how much, I think these are very uncertain times to be able to say, "We know that the market is compositely 3.2%, and we'll deliver 5.4%." I mean, I just don't know enough to say that.

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**Nigel Ridge - BlackRock - Analyst**

I guess my take on it was just that I look at the scale of the numbers in terms of the savings and the reinvestment and when I look at the scale of that R&D increment and also it's the idea that it'll be more effective than it has been in the past, I look at the scale of the increased emphasis on sales and marketing.

And I appreciate your point about numbers. So, maybe the base number is wrong. It's just I guess that I was a little bit surprised by the quantum with the differential between the two numbers. It's not the number itself, 3% to 5%, but actually the differential against the base of 3% to 4%. That was just my take. Also, given that I think you also highlighted your strong position in China, and clearly China will be a high-growth market. And therefore, that would suggest that the mix will also be modestly in your favor. That was just my take.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Fair enough. I think, though, that especially the value tier markets, whether it's China or India and so on, they are much lower price point markets as well. So, even though you have significant growth in terms of percentage terms, what they may actually add to the GBP834 million or so that we have, that's part of the issue as well. So, if that suddenly wants to become a GBP200 million business, that's not going to happen overnight.

Does that make sense?

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**Peter Durman - Smiths Group - IR Director**

Well, it's not just the price. It's just the scale of the market.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes.

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**Nigel Ridge - BlackRock - Analyst**

I mean --

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

The scale of the market, but also the price point of a lot of these products.

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**Nigel Ridge - BlackRock - Analyst**

I think you made the point that 12% of the revenues come from sort of the emerging markets area.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes.

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**Nigel Ridge - BlackRock - Analyst**

But clearly, they operate faster than the west --.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes, yes.

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**Nigel Ridge - BlackRock - Analyst**

China say to India six to eight.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes.

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**Nigel Ridge - BlackRock - Analyst**

So, assuming that the portion of GDP [stays] in this area remains the same, that would suggest you have high rates of growth.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes.

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**Nigel Ridge - BlackRock - Analyst**

You also got on record I think saying that, in fact, if anything, that you're going to increase --

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes.

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**Nigel Ridge - BlackRock - Analyst**

-- a percentage of GDP spend in this area, which once again supports the idea that 12% of your portfolio ought to be exhibiting pretty attractive growth rates. And if you are the leader in those markets, it's my understanding that that should assist your revenue performance.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Which is why we feel very -- so confident, in the guidance that Philip has given.

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**Peter Durman - Smiths Group - IR Director**

I'll take Avi there.

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**Avi Hoddes - UBS - Analyst**

Avi Hoddes at UBS. I think picking up a little bit of Nigel's question, of Alex's as well, but this time on margins, you've clearly done a huge amount of work across the business. It looks like whilst you've still got more to go, you're really over the hump. Like you've -- a couple of weeks ago, you were on one pier and now you're on all the rest of it.

If you think about your margin range between 20%, 24% and how we kind of get towards the 24% end, and it just kind of strikes me that over the next 12 months that's the first full year that we've got kind of everything in place. And so, actually the biggest jump in margin could happen really over the next 12 months. I mean, maybe it goes out further after that but the biggest individual year is the next 12 months unless you go to 5%, 6% of sales and R&D or something like that. It's one or the other. Would you agree with that?

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**Peter Durman - Smiths Group - IR Director**

Rob, why don't you take that?

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**Rob White - Smiths Group - Finance Director - Smiths Medical**

Can you hear me?

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**Rob White - Smiths Group - Finance Director - Smiths Medical**

That's not necessarily the case. I think we would expect to see progress made over the next 12 months, however, bear in mind, as we continue to change this business and achieve the savings that we've -- we've illustrated some of the savings that we've already achieved. We've also told you that we plan to do more. Typically, there are costs involved in executing those sort of change programs. And so, although we would expect to improve the underlying performance of the business and the margin -- okay, are all the mics on here -- it's not necessarily going to come in the next year I think is the point.

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**Peter Durman - Smiths Group - IR Director**

No, because the point -- we said earlier is it's about balancing as opposed to things, margins versus R&D and we will continue to see margins improve and expect to. And at the same time, though, we'll be seeking to recycle some of that improvement back into R&D and growth, so -- and sales and marketing, yes, so.

So, we'll take the next one. Sandy Morris.

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**Sandy Morris - RBS - Analyst**

Sorry, you're not going to have a Socratic conversation with me, but it is all the same stuff and you're trying to get away from your market segments, which is what we compare the changes with. So, I understand why you do that. But it's all tied to this 3% to 5% sales growth. So, if you took safety devices, that market has over the last three years apparently gone up from GBP500 million to whatever it is. I forgot the number now, GBP1.2.

If you believe your previous presentations, your market share has come down from GBP30 million to GBP22 million. So, that's an obvious thing. You're not chasing share in that market, and to be clear, nor do I believe that you should because the roots of this company are in medication delivery and vital care and safety devices will go with the flow. So, there must have been new entrance or you've just decided not to gear up to chase that particular growth. The bit that appears to concern me is if I believe the numbers, there's been some underlying decline in vital care sales.

Now, I know that medication delivery infusion, you've changed the definition because diabetes has come out. But there's lots of moving parts in there and so, these market numbers are misleading and I wouldn't expect you to chase safety devices because it would be boom bust kind of stuff. I mean, I don't know whether I'm right in believing the figures from '07.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Let me try and address that. One point is absolutely right, which is there is a lot of underlying movement in the broad definitions of, say, vital care. So, let's take a couple of examples. In the area of temperature management, we have, over the last three years, faced significant competition as well as price pressure in the area of fluid warming. Now, we've counteracted that by moving swiftly into convective warming. So, we've now got just about the broadest portfolio but that's a relatively recent, in the last 18 months kind of an achievement.

So, we've seen erosion in fluid warming. We've seen improvement in convective warming. But the relative sizes of those is such from a market perspective that we believe in the next timeframe, two to three years, we're going to make some pretty serious progress back in temperature management.

Another example would be in the safety devices area. Over the last four years or so, there has been quite a lot of pressure and change in global markets between conventional and safety devices, all of which are underneath that keep people safe umbrella or pillar. And in there, companies like [Bibron], for example, have become a lot more active in the area of safety devices in non-US markets.

Now, to your point, we have not chased after that. Those areas where we have had very strong presence with our conventional product lines, manufactured out of our Latina facility, we've continued to address those and then, indeed, some of our new product development funding is, in fact, going into lower cost value markets for safety devices as we see safety legislation coming in in Europe and other parts of the world.

Does that make sense?

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**Sandy Morris - RBS - Analyst**

Well, absolutely, but I mean, safety devices, I mean, I'm not dismissing that market. I'm sort of agnostic about it in the sense of it's there, it's an opportunity. But the heart of this business is medication delivery and vital care. Is that -- am I right or should I just shut up?

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

No, you should never shut up. You care too much about the business and you've been watching it for long enough to know that I think we really have juice in all three areas. The margins are similar. They're all attractive in their own way. There's a lot of underlying differences obviously in the nature of the investment and how you manufacture.

But having said that, when you say the heart of the business is medication delivery, that's only the heart of the business in one part of the company. We are an airway company. We were an airway company long before we were a medication delivery company. So, I think we have fundamental strengths in these three core areas. They have different characteristics in terms of growth profiles depending on the region. So, the growth profile outside the US for safety is a lot more robust than the growth profile for safety in the US.

A lot of that penetration already happened in the 2000 to 2010 kind of timeframe. Now, will the same products that took us from 2000 to 2010 in the US also take us to where we want to grow in emerging markets around the world? No and that's where we've got to invest is a set of new products that are appropriate in cost structure, simplicity, ease of use, et cetera for those markets.

So, I don't buy your premise that these two are the heart and that's something to just harvest and watch and enjoy it if it happens. I just, I mean, I'm not in the hobby business. So, either we do all three things properly or, as in the case of diabetes where we don't believe that there's a fundamental way to win, we've exited. We don't have -- safety is a very nice business.

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**Stuart Morris-Hipkins - Smiths Group - President - Smiths Medical North America**

Well, just on the vital care. You've got the airway franchise and within there we've got significant positions in tracheotomy and endotracheal tube business and, as you see, we've continued to innovate in that space. So, as Srini said, you've got the Level 1 where we've had some challenges in the near term and we've reinvested in the convective side and equally continue to invest in the core and our airway business through tracheotomy and that next generation for obese patients.

So, we've continued to look at different ways and so there is this timing based on value over the last couple of years, but you may be reading something into that.

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**Sandy Morris - RBS - Analyst**

Yes, I mean, I'm working on getting fat, but the -- if you were to actually say to me that your traditional airway management products have managed to grow consistently, that would be terribly reassuring. On Level 1, I suppose it only begs the question that there was a hardware story there and then there was just supposed to be lots of replacement, all the tubes and everything, which should have helped ultimately offset that, which appears not to have worked.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

That has happened but the issue has been new competition in that space and some quality issues that we faced 2.5, 3, years ago that we've surmounted. That's been part of the story of improving the quality of the company and those recalls two plus years ago

certainly hurt us at that time. But I think we are well over it now and we are focused on growing the temperature management franchise as well.

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**Sandy Morris - RBS - Analyst**

One last little thing. That little chart about China, did that include Shenzhen or was that ex-Shenzhen, the sales going from 14 to 25 because Shenzhen chipped in GBP7 million of sales last year in eight months.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

You mean Zhejiang.

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**Sandy Morris - RBS - Analyst**

Yes, I can't -- you know what it is out there.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

It includes all of the China market, including Zhejiang plus the traditional Smiths Medical business. It's all composite.

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**Peter Durman - Smiths Group - IR Director**

Okay. Colin Campbell.

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**Colin Campbell - Societe Generale - Analyst**

Yes, Colin Campbell at Societe Generale. Just in terms of the market, you talked of your GBP4 billion market and your focus on emerging markets. What percentage of that GBP4 billion is emerging markets do you think today is an addressable market? And then, when you look at your own business, 12% Asia, I guess half of that is Japan. So, you're actually looking at a very tiny emerging market percentage at the moment. And maybe just go into more details about growth rates in India and China and the opportunity and the competition in both of these regions.

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Okay. I'll try and then maybe you can add to that, Stuart. I think it's fair to say that historically Smiths Medical took a relatively sort of distributor-oriented approach to emerging markets. So, I remember when I got here and asked how many people and what kind of presence we had in India and China I was actually frankly surprised, because something that -- there was just so much focus on Western Europe, on Japan, on US, et cetera. That's what we're trying to change and I would submit that there is a lot more growth yet to come if we focus correctly.

The progress in both China and in India and I might say, by extension, in the Middle East as well, has been of double-digit nature for the last two years and I expect that to continue and that'll certainly be a huge focus of ours. The real question is do we have the right products, okay. And I would submit to you part of the reason that Smiths Medical was small in those developing markets was we were essentially hitting at Western levels of a customer base with Western types of products.

Now, that's only going to skim the surface of what's possible. So, when you say what is the market size, I've got to be honest with you. When you ask me how much of that \$4 billion, it's a nice iterative conversation, which is until you have the right products are you even in that space?

I would argue right now we are moving very, very rapidly to try and get into that part of the market that can be reached with appropriate value to your product lines into spaces where we don't play today. So, that's sort of one set. The second one is just sheer presence. So in India, when I got here, we had one distributor, a very loyal, good, strong distributor in the airway space. But historically that had been their focus.

So if you look at the other 14 franchises that we could have been going to market with in India, it was not a core strength of theirs. Ditto for Japan. So if you look at Japan, we've been -- we acquired that distributor probably eight years ago, something like that, nine years ago but we've actually been with that distributor for 35 years, again, a very strong Portex airway oriented distributor.

So, now I come in here and I say, "How much are we doing in medication delivery in Japan," and to my particular point of view there wasn't enough. So a lot of the focus now, especially with the new leadership team in Japan has been to say there's a lot of portfolio that you ought to be working on.

We understand that there's a very, very predominant kind of airway focus to that sales team and so on. But we are now retraining that sales force, adding more people into infusion sales and so the prospect of selling more of the portfolio, even into established markets like Japan, I think there is really some value there.

Now, how much of that we can deliver in what timeframe, I don't have an answer for that. We try to integrate across all of that to give you the guidance we can. If you want me to pass out am I strong enough in infusion in India, I wasn't but with this Chinese acquisition the fact that we've been able to internationalize it, we are now moving heavily to start marketing that Graseby infusion pump into India, so that's working.

Similarly, in Japan, could we be selling CADD-Solis product line into Japan? We should have. Did we have the capability three years ago to do that? Well, no, because it was a very heavily airway-oriented organization. Now with all the leadership changes in China, in Japan, in India and globally we're able to start to look at what are the gaps, how do we sell more, what kind of retraining, where are the capabilities to do that training, do they exist in the US, do they exist in Ashford, in England? That's the game plan that we are on right now.

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**Colin Campbell - Societe Generale - Analyst**

Are you capable of manufacturing product in the US and distribute it to China or do you need more local Chinese?

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes, both. We actually do manufacture lots of product in Monterrey operations in Mexico. Something like 40%, 45% of the output of Smiths Medical comes from there. We are marketing those products worldwide. So in some sense they are US and UK developed product lines, manufactured in lower-cost areas like Mexico and then available for sale around the world. That's one part of it.

But I come back to the point that in the long run, in all of these emerging markets, I think it's important to be local both from a customer understanding point of view and learning how to develop products that meet the price points that those markets expect and still make all of the requirements in terms of quality, safety, regulatory, just like any Western company should and that's a core requirement that I'll never walk away from.

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**Stuart Morris-Hipkins - Smiths Group - President - Smiths Medical North America**

Just out on just the kind of China, India question, clearly what's happening right now is tremendous infrastructure investment by both the India and Chinese government. So another facet of this is making sure that we understand the types of investments, where those are being made and how our portfolio fits into that approach as well, where the sites of care are going to be.

Clearly, you've got a very rural base in China and you've got advanced hospitals on the East Coast of China and the various cities in India. So part of this, again, is a kind of third factor in terms of we're actually really understanding that as that continues at quite a pace.

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**Peter Durman - Smiths Group - IR Director**

Any more? David Perry.

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**David Perry - Goldman Sachs - Analyst**

Yes, two please. One, 34% of sales in EMEA, can you just split that out for us? I know in your very opening comments Srinu, you said you didn't think healthcare would suffer with government spending cuts but can you just comment on what's going on in the main markets in EMEA?

Then, the second question -- and sorry to labor the point, I guess, because it's already been asked -- but the growth you've got in vital care and medication delivery, there's hardly any difference in your target but it seems to me one of the key trends. Again, it's on your intro slide, slide 11 is more outpatient care and far fewer hospital stays and certainly far shorter hospital stays. Isn't that just a very big ongoing structural headwind to vital care because that trend is only going to exacerbate?

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**Srinu Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

I think -- let me take that question first and then I'll come back to Europe and East Africa. The point about outpatient hospital stays reduction is more about where the areas of care are. So, for example, we've seen in our career lifetime a huge shift into out-of-hospital surgical centers. So is that a net good or bad thing? Well, it's a bad thing if you don't have a sales force that knows how to call on non-hospital settings. It's not a bad thing at all if you've managed to move into sales teams that know how to do that.

On the one hand, I think there is a statement about economies around the world wanting to cut the number of hospital days stayed because that's very expensive to healthcare settings, obviously. On the other hand, there is a countervailing force, which is a lot of the issues that you've seen emerging are chronic issues. So where they used to be acute care settings, a lot of it has moved into surgical centers, clinics, et cetera and the hospitals are tending to deal with more chronic care kinds of diseases.

Again, if you look at the kinds of product lines that we are in, we're actually very well placed to deal with chronic obstructive pulmonary disorders or the issues having to do with obesity. Things like that we are actually front and center. So it's not as simple as saying, "This is good for airway. That's not good for airway." I think there are many factors going on and I hope I've been responsive to your question, otherwise we can certainly take it up further.

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**Stuart Morris-Hipkins - Smiths Group - President - Smiths Medical North America**

Just one of the other points to bear in mind where the care starts. You mentioned the hospital and the non-hospital but the care starts in the hospital. So, what you're having is a reduction in stay and those individuals going to either a surgery center or going home. But the product that they are given during their stay will have, hopefully, all Smiths products and that person will go home.

So, it's the connection between the hospital to the alternate site and the alternate site to the home. So, it's not really a headwind. It's ensuring that our sales teams are concentrating on those sites of care.

There was a question on EMEA. Do you want me to --?

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**Srini Seshadri - *Smiths Group - Group Managing Director - Smiths Medical***

Yes, go ahead.

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**Stuart Morris-Hipkins - *Smiths Group - President - Smiths Medical North America***

I mean, you asked the question on EMEA as well, a rough breakdown. I mean, it's the principle countries that we operate in, United Kingdom, Germany, France, Spain, Portugal and so on. So, we don't kind of break it down in terms of revenues but those are the principle areas in EMEA that we have.

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**David Perry - *Goldman Sachs - Analyst***

And then, how do you feel about the other (inaudible - microphone inaccessible)?

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**Stuart Morris-Hipkins - *Smiths Group - President - Smiths Medical North America***

I think, as Srini says, I think we're going to continue to have reimbursement pressures but, again, looking at the portfolio and where we offer, we offer products for preventative care and in their critical care environment. So there will always be a need with our balanced portfolio for the types of products that we have. But of course, unlike any spend analysis or governments we're looking at their spend in the acute care setting, but, again, we're positioned with the portfolio to mitigate some of the risks associated with that.

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**Srini Seshadri - *Smiths Group - Group Managing Director - Smiths Medical***

The outlook is sort of stable for those countries. They're not high-growth areas either in terms of population growth or in terms of new investments in healthcare spend, all those governments are under severe budget pressure. So I think it's business as usual in Western economies.

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**Peter Durman - *Smiths Group - IR Director***

We'll take one more from Sandy because we need to stop here on our tour.

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**Sandy Morris - *RBS - Analyst***

I mean, Europe is the prime example because sort of Germany you're really, really big despite having some domestic competitors there and yet we don't really seem to have -- there's so many ebbs and flows because of safety. It's hard to tell whether your sales in Europe have grown or not over the last three years. So that's one question. The second question is one would imagine we might be pushing into some of the other major European countries and that could be on the agenda now, whereas we couldn't do it before.

Then, the other bit is just -- I know this is old history stuff -- but the number of beds in all of the markets don't seem to have changed, including in China, which slightly foxes me, so maybe that's a made up number. So what is actually happening in terms of these surgical centers outside hospitals? I mean, are they really growing?

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Most of the -- forget China and India. In most of the rest of the world, the number of beds is either flat or down. They may have moved from one setting to the other but hospital consolidation, whether it's in the UK or Germany or US, there's been a lot of hospital consolidation. So, when you say these numbers haven't moved, they haven't moved much. So the populations are relatively stable, the healthcare systems have been relatively well developed over a long period of time. You don't find huge shifts in bed.

In China, on the other hand, they have been on a very, very furious pace to increase their number of beds. Now whether they are all in the areas in the East Coast where bulk of the volume comes or when the rural areas, that data is a little harder to get at and probably a bit flakey. But we'll try and get you the best data we can.

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**Sandy Morris - RBS - Analyst**

Growth outside Germany?

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Who wants -- or I can take it.

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**Unidentified Company Representative**

(inaudible - microphone inaccessible).

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**Srini Seshadri - Smiths Group - Group Managing Director - Smiths Medical**

Yes, over the last, if I say, eight years, over eight years we have grown quite significantly in Europe. Over the last three years with the challenges that I talked about, we have been somewhat flattish, flat to positive. Now, as we have surmounted those challenges we expect to go back and get our fair share on the marketplace.

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**Sandy Morris - RBS - Analyst**

Thanks.

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**Unidentified Company Representative**

Okay, thanks. We should be --

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**Peter Durman - Smiths Group - IR Director**

Yes, we're going to do the tour now.