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If you have sold or otherwise transferred Shares, please send this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

smiths

bringing technology to life

(Incorporated in England and Wales under the Companies Act 1985 under number 137013)

NOTICE OF EXTRAORDINARY GENERAL MEETING

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Smiths Group plc which is set out on pages 2 to 4 of this document and which recommends that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

A notice of the Extraordinary General Meeting of Smiths Group plc, to be held at Allen & Overy LLP, One Bishops Square, London E1 6AD at 2.00pm on 28 July 2008 is set out at the end of this document.

A Form of Proxy for use in connection with the resolutions to be proposed at the Extraordinary General Meeting is enclosed with this document. Whether or not you intend to be at the Extraordinary General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it, and return it as soon as possible, but in any event so as to be received by Equiniti Limited not later than 2:00pm on 26 July 2008. If you do not use the reply-paid envelope provided, the Form of Proxy should be sent by post, or (during normal business hours only) by hand, to Equiniti Limited, The Causeway, Worthing, West Sussex BN99 6DA.

Alternatively, you may wish to appoint a proxy and register your proxy vote electronically by visiting the web site www.sharevote.co.uk and completing and submitting the relevant forms by no later than 2.00pm on 26 July 2008.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Equiniti Limited (CREST participant ID RA19), so that it is received no later than 2.00pm on 26 July 2008, in accordance with the instructions in the notes to the Notice of Extraordinary General Meeting on page 16.

The return of a completed Form of Proxy will not prevent you from attending the Extraordinary General Meeting and voting in person if you so wish and are so entitled.

Letter from the Chairman of Smiths Group plc

smiths

bringing technology to life

(Registered in England No. 137013)

Registered Office:

765 Finchley Road

London

NW11 8DS

4 July 2008

Dear Shareholder,

Extraordinary General Meeting

This document contains a notice convening an Extraordinary General Meeting of Smiths Group plc (the **Company**) to be held on 28 July 2008 (the **EGM**). The purpose of the EGM is to consider a resolution relating to amendments to the Company's Articles of Association and two resolutions relating to changes in our executive remuneration arrangements.

Full details of the business of the EGM are set out in the explanatory notes provided in the Appendices to this letter. However, I would like to draw your attention to the following.

Amendments to the Articles of Association

We are asking shareholders to approve, by special resolution, a number of amendments to the Company's Articles of Association, which are proposed primarily to take account of changes in English company law brought about by certain provisions of the Companies Act 2006. The Companies Act 2006 is being implemented in phases, and the changes are proposed to align the Articles of Association with provisions of the Companies Act 2006 which have already come into force or which will come into force on 1 October 2008. The relevant special resolution will be proposed as Resolution 1 at the EGM. The principal changes proposed are described in Appendix 1 to this letter and the full text of the amendments is available for inspection at the addresses set out on page 17.

Changes to Executive Remuneration

Since joining the Board as CEO in December 2007, Philip Bowman has undertaken a thorough review of the Group's operations. That review has highlighted significant opportunities to improve the operating performance of the businesses progressively over a two year period through a combination of stronger revenue growth and margin improvement through pricing, restructuring and improved management of costs.

To support this strategy and the significant cultural change that successful implementation will require, the Remuneration Committee (the **Committee**) in conjunction with its independent remuneration advisers, Kepler Associates, has carried out a review of executive remuneration. As a result of this review and following consultation with major shareholders and their representative bodies, the Committee is proposing to:

- a. freeze base salaries at current levels for executive directors and other participants in the new long term incentive plan (described below) for a period of at least two years;
- b. cease granting awards under the existing Performance Share Plan;
- c. with effect from 2008/09, increase annual bonus opportunities of executives by half – from 120% to 180% of base salary for the CEO, from 100% to 150% of base salary for other executive directors of the Company and managing directors of the divisions and from 75% to 112.5% of base salary for all other members of the Executive Committee;
- d. with effect from 2008/09, introduce mandatory investment of one-half of any annual bonus earned into the Co-Investment Plan (the **CIP**). The Committee proposes to amend the CIP by providing for an enhanced matching opportunity if an enhanced performance condition is met;
- e. introduce a new one-off long term incentive plan – the Value Sharing Plan (the **VSP**), comprising arrangements for executives with group-wide responsibilities under the Group Value Sharing Plan (the **Group VSP**) and similar arrangements for executives with divisional responsibilities under Divisional Value Sharing Plans (the **Divisional VSPs**). The VSP is designed to enable participants to share in 'surplus value' created above a hurdle. However, participants will not receive any value if the relevant hurdle is not exceeded;

- f. in the case of Mr Bowman, increase the value of the shareholding which he should, over time, acquire from 150% to 200% of base salary. The value of shareholding to be acquired over time will remain at 150% of base salary for other executive directors; and
- g. not consider potential follow-on long term incentives for participants in the VSP until 2010.

Shareholder approval for the VSP and the amendments to the CIP is being sought under separate ordinary resolutions to be proposed as Resolutions 2 and 3 at the EGM.

The VSP

The VSP is designed to provide exceptional reward for exceptional performance. Up to five executives with group-wide responsibilities will be eligible to participate in the Group VSP. The VSP also empowers the Committee to establish Divisional VSPs for our five divisions – Smiths Detection, Smiths Medical, John Crane, Smiths Interconnect and FlexTek. Further information on the VSP is set out in Appendix 2 but the key features are as follows:

The Group VSP

- The Group VSP is designed to be operated on a one-off basis with participants sharing in ‘surplus value’ created above a hurdle. Participants will not receive any value if the hurdle is not exceeded;
- Participants will be conditionally awarded a specified number of Smiths shares for achieving predetermined levels of outperformance of the hurdle, expressed as a number of shares for every £5 million of ‘surplus value’ created;
- Participation is at the discretion of the Committee but it is anticipated that participants will include the two executive directors of the Company and Executive Committee members with group-wide responsibilities (up to five individuals in total);
- One third of the shares will be awarded for growth in total shareholder return (**TSR**) over and above the median return of the companies comprising the FTSE 100 as at the date of grant (excluding financial services companies);
- Two thirds of the shares will be awarded for growth in earnings times a fixed multiple (plus net equity cashflows to shareholders) over and above a hurdle return of 9.5% per annum compound. ‘Earnings’ is defined by reference to adjusted profit before tax (**PBT**);
- Performance will be measured over a three year and a four year performance period – both commencing on 1 August 2008. There will be no retesting of the performance measures. Performance will be measured after the cost of the Group VSP and Divisional VSPs;
- The Committee believes that the proposed blend of measures provides a good balance between internal and external performance and between absolute and relative performance. The Committee considers that PBT is the best internal measure of our financial performance at Group level as it is highly visible internally, and regularly monitored and reported. Relative TSR provides strong alignment with our shareholders.

The Divisional VSPs

The review highlighted the importance of providing strong long term incentives in our five divisions, reflecting the objectives of the Group strategy. Accordingly, the VSP also empowers the Committee to establish Divisional VSPs. The Divisional VSPs will be introduced along the same lines as the Group VSP to help focus the most senior divisional executives on maximising the value of their divisions and returning surplus cash to the Group. The proforma rules of the Divisional VSPs are contained in an Appendix to the rules of the Group VSP. Further information on the Divisional VSPs is set out in Appendix 2.

Amendments to the Co-Investment Plan

As noted above, the Committee is freezing base salaries for executive directors and other participants in the VSP at their current levels for at least two years but is proposing to increase the annual bonus opportunities of these executives by half. Performance targets for the annual bonus will be commensurately more demanding and will continue to be based on Group or divisional profit (as appropriate), cashflow and individual performance. The Committee has authority to implement these changes to the remuneration structure without shareholder approval in advance, although the Company’s overall remuneration policy will be described in the Company’s Directors’ Remuneration Report which will be subject to an advisory vote at the annual general meeting in November 2008.

The Company operates the CIP, a share matching arrangement under which shares acquired by executives may qualify for free matching shares after three years if a performance condition is satisfied. In conjunction with the changes to the annual bonus arrangements, the CIP will be amended so that executives will be required to invest 50% of any earned bonus into Smiths shares under the CIP. This arrangement, which will apply to bonus paid in respect of 2008/09 and future years, will replace the existing arrangement whereby executives may voluntarily participate in the CIP (potentially investing up to 100% of their annual bonus). In return, if an enhanced performance condition is met, participants may receive an enhanced number of free matching shares.

For CIP awards made in respect of bonus for 2008/09 and future years, participants will be entitled to notional dividends which would have been paid in the three year vesting period on those matching shares that vest.

Further details are set out in Appendix 3.

Action to be taken

Whether or not you plan to attend the EGM, please complete and return the proxy in accordance with the instructions printed on it. Completion and return of the proxy will not prevent you from attending the EGM, which will be held at Allen & Overy LLP, One Bishops Square, London E1 6AD at 2.00pm on 28 July 2008, if you so wish. I refer you to the map on page 20 of this document.

Recommendation

Your directors believe that all three resolutions to be considered at the EGM are in the best interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the resolutions as they intend to do so in respect of their own beneficial holdings.

Yours sincerely

Donald Brydon
Chairman

APPENDIX 1

AMENDMENTS TO ARTICLES OF ASSOCIATION

This resolution seeks authority for the Company to adopt new Articles of Association (the **New Articles**) with effect from 1 October 2008. These New Articles update the Company's current Articles of Association (the **Current Articles**) primarily to reflect changes in company law introduced by certain provisions of the Companies Act 2006 (**CA 2006**) in force on 28 July 2008 and to take into account certain changes which will come into force on 1 October 2008. CA 2006 is being implemented in phases with the final phase expected to come into force on 1 October 2009.

The principal changes to the Current Articles are set out below. Other changes of a minor, technical or clarifying nature have not been outlined.

- (a) **Articles which duplicate statutory provisions:** Provisions in the Current Articles which replicate those in the Companies Act 1985 (**CA 1985**) are in general amended to bring them into line with corresponding provisions in CA 2006.
- (b) **General meetings:** Amendments to provisions on convening and length of notice of general meetings are amended to conform to CA 2006. In particular, a general meeting (other than an AGM) to consider a special resolution can now be convened on 14 days' notice.
- (c) **Quorum:** CA 2006 provides that in general terms the quorum for a general meeting be calculated by reference to numbers of 'qualifying persons' who are present at the meeting, which include an individual who is a member of the Company, a corporate representative authorised under Section 323 of CA 2006, and a person appointed as proxy. It is proposed that the quorum for a general meeting will remain three but in line with CA 2006, the New Articles provide that there will be no double counting for qualifying persons who are representatives of the same corporation or proxies of the same member.
- (d) **Proxies:** CA 2006 provides that proxies are entitled to vote on a show of hands. In addition, multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share(s). The New Articles reflect these provisions of CA 2006.
- (e) **Age of directors on appointment:** The Current Articles contain a provision limiting the age at which a director can be appointed. Such provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed from the New Articles.
- (f) **Directors' interests:** CA 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under CA 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. CA 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate and where the Articles of Association contain a provision to this effect. CA 2006 also allows the Articles of Association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

Safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict include: (a) only independent Directors (i.e. those who have no interest in the matter being considered) will be able to take the relevant decision; and (b) in taking the decision, Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. Directors will be able to impose limits or conditions when giving authorisation or subsequently, if they think this is appropriate.

Provisions are proposed relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. They will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively and that procedures have been followed.

- (g) **Electronic and web communications:** Provisions of CA 2006 which came into force in January 2007 enable companies to communicate with shareholders by electronic and/or website

communications. The New Articles have been updated to reflect resolution number 3 passed at the Extraordinary General Meeting on 11 June 2007 by permitting communications to shareholders in electronic form and website communications (where relevant consents have been given).

- (h) **Directors' indemnification:** CA 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies. The New Articles reflect these changes.

A copy of the New Articles marked to show changes being proposed by this Resolution is available for inspection as noted on page 17 of this document.

APPENDIX 2

SUMMARY OF THE SMITHS GROUP VALUE SHARING PLAN (THE *PLAN*)

Eligibility

Participation in the Plan is at the discretion of the Remuneration Committee (the **Committee**). The Plan is designed to be operated on a one-off basis.

The Committee intends to invite the Chief Executive, the Finance Director and up to three other senior executives, all of whom have group-wide responsibilities, to participate in the Plan.

It is expected that a further 30-40 executives, all of whom have executive responsibilities within the Group's five primary divisions, will be invited to participate in one-off Divisional Value Sharing Plans (the **Divisional VSPs**). The precise terms of the Divisional VSPs, the main features of which are described below, will be established by the Committee. The proforma rules of the Divisional VSPs are contained in an Appendix to the rules of the Plan.

Grant of Awards

Awards will be granted to executives in the week beginning with the date on which the Plan is approved by shareholders (the **Approval Date**) or, if there is a prohibition on dealings at that time, as soon as practicable thereafter. In the 12 months following the Approval Date, awards may also be granted to executives who commence employment with the group shortly after they commence that employment. Likewise, executives who are promoted, or whose duties are materially broadened, may receive awards (or, if they already participate, additional awards). Awards granted within this 12 month period will vest on the same basis and timescale as the initial awards, but may be scaled down as the Committee considers appropriate to reflect the shorter duration of the award. No awards may be made under the Plan after the first anniversary of the Approval Date.

Form of Awards

Awards will entitle participants to receive ordinary shares in the Company (**Shares**). The number of Shares a participant may receive will be determined by the extent of the Company's outperformance of the performance conditions described below. Participants will not receive any Shares unless the appropriate hurdle is exceeded. Participants will be conditionally awarded a specified number of Shares for achieving predetermined levels of outperformance, expressed as a number of Shares for every £5 million of 'surplus value' (the number of Shares being pro-rated for every part of £5 million 'surplus value') created under each performance condition (**Surplus Value**). In consequence, there is no upper limit on the number of Shares which a participant may receive under their award.

Performance Conditions

The number of Shares received under the Plan will be directly related to the Company's performance in relation to two key performance conditions (the **Performance Conditions**). Performance against each of these conditions will be assessed over the three year and four year periods from 1 August 2008 to 31 July 2011 and 31 July 2012 respectively (the **Performance Periods**). Both Performance Conditions, and therefore the number of Shares received in respect of each Performance Period, will be tested on a self-standing basis. There will be no retesting of either Performance Condition.

- (a) **TSR Element** – one third of the participant's award will relate to Surplus Shareholder Value. This element will directly reward participants for the Company's TSR during each Performance Period over and above the median TSR of the companies comprising the FTSE 100 as at the date of grant (excluding financial services companies); and
- (b) **Earnings Element** – two thirds of the participant's award will relate to the Company's Internal Value, defined as a fixed multiple of adjusted profit before tax (**PBT**) plus the cumulative rolled up value of net equity cashflows to shareholders since the beginning of the Performance Period. This element will reward participants for PBT growth and cash returns to shareholders between 1 August 2008 and the end of each Performance Period over and above a hurdle of 9.5% per annum compound.

Detailed information on the Performance Conditions, and the mechanism for determining the participant's reward, are set out below.

Under the TSR Element, participants will be directly rewarded for the Company's TSR performance during each Performance Period (**Shareholder Value**) over and above the median TSR of the relevant FTSE 100 companies (**Median TSR**) over the same periods (**Surplus Shareholder Value**).

For these purposes:

- (a) TSR is a means of measuring a company's long term market return, expressed as share price performance plus dividends and other distributions in respect of those shares, with those returns treated as reinvested in shares at the date of payment;
- (b) for each Performance Period the absolute TSR percentage achieved by the Company in excess of the Median TSR percentage will be calculated. The resulting TSR percentage outperformance for the Performance Period will be applied to the Company's starting market capitalisation to determine the Surplus Shareholder Value created. A number of Shares will be determined by reference to the resultant amount (see below); and
- (c) all TSR measurements for the Company and the relevant FTSE 100 companies will be based on average share prices on the 60 dealing days prior to the relevant measuring date – that is, the base date of 31 July 2008, and the measuring dates of 31 July 2011 and 31 July 2012.

The Share entitlement for each participant will be derived from the Surplus Shareholder Value achieved by the Company in respect of the Performance Period, calculated as described in Table 1 below. A participant will have no entitlement to Shares unless the relevant hurdle is exceeded.

The method of calculation can be illustrated as follows:

- Assume that, over the 2008-2011 Performance Period, the Median TSR is a positive return of 10% and the Company's TSR is a positive return of 15% (i.e. the total Shareholder Value grows from £4.0 billion to £4.6 billion);
- This gives a Surplus Shareholder Value for that Performance Period of £200 million (being £4.0 billion times (15 minus 10) %);
- Then a participant with an award over 300 Shares per £5 million of Surplus Shareholder Value for the 2008-2011 Performance Period would be entitled to 12,000 Shares (that is, 200/5 x 300 Shares).

In addition to the above, participants will only be entitled to a vesting of Shares under the TSR Element if the Committee is satisfied that this is justified by the underlying financial performance of the Company over the Performance Period.

Under the Earnings Element, participants will be rewarded for the Company's growth in Internal Value between 1 August 2008 and the end of each Performance Period, to the extent that the Internal Value grows by more than 9.5% per annum compound. A participant will have no entitlement to Shares if the Internal Value grows by less than 9.5% per annum compound. For these purposes:

- (a) Internal Value is defined as follows:
 - PBT multiplied by an appropriate multiple (the **Multiple**), which will be determined following the date of grant of awards by reference to the Company's PBT for the financial year ending 31 July 2008 and the Company's market capitalisation as at that time. This Multiple will also apply to the valuations for the 2011 and 2012 financial years unless the Committee considers that exceptional circumstances apply which justify the use of a higher or lower Multiple; and
 - the result of the above calculation will then be adjusted for net cash remittances to shareholders (dividends plus share buy-backs less any share issues);
- (b) Growth in Internal Value is calculated by calculating the Internal Value for the financial year ending 31 July 2008 and the final year of the relevant Performance Period (that is, 31 July 2011 or 31 July 2012). The Surplus Internal Value is then calculated as follows:

$$EV - [SV + (SV \times H)]$$

Where

EV is the End Value, equal to the Internal Value at the end of the Performance Period;

SV is the Starting Value, equal to the Internal Value on 31 July 2008; and

H is the total return equivalent to 9.5% per annum compound over the Performance Period;

- (c) PBT for both the starting and final years will be derived from the Company's published "*headline profit before tax*" for that year excluding "*Other finance income — retirement benefits*". The Committee will also have discretion to adjust the PBT figure for matters which it considers to be substantially outside the control of participants. The nature and extent of any adjustment would be intended to achieve fairness for participants and shareholders;
- (d) The PBT figure for the 2008 financial year will only be known when the results for that year are announced. The Committee's adjustments to the 2008 PBT figure will be set out in the Directors' Remuneration Report to be published in October 2008; and
- (e) The Committee has the power to adjust the 9.5% per annum compound hurdle rate in exceptional circumstances such as a material change in interest rates.

If the Company's Surplus Internal Value in respect of a Performance Period is zero or negative (that is, the growth in the Internal Value does not exceed the hurdle over that period), participants will not be entitled to a vesting of Shares under the Earnings Element in respect of that period. If the Company's Surplus Internal Value is positive in respect of a Performance Period, participants will be entitled to a vesting of Shares in respect of that period. The Share entitlement of each participant will be derived from the Surplus Internal Value achieved by the Company in respect of that period, calculated as described in Table 2 below.

Satisfaction of Awards

The Plan rewards absolute outperformance in relation to each Performance Condition over each Performance Period. This is achieved by entitling participants to a number of Shares in respect of every £5 million of Surplus Value (or part thereof) created in relation to each Performance Condition (that is, Surplus Shareholder Value and Surplus Internal Value).

In relation to Surplus Shareholder Value, the potential entitlement of participants is as follows.

Table 1

Surplus Shareholder Value created (£0m implies TSR is in line with the Median TSR of the relevant FTSE100 companies)	Shares accrued by reference to Surplus Shareholder Value created		
	Chief Executive	Finance Director	Pool distributed between three other executives
At or below £0m	0	0	0
Above £0m and for each £5m – 3 year Performance Period	417 Shares	167 Shares	250 Shares
Above £0m and for each £5m – 4 year Performance Period	417 Shares	167 Shares	250 Shares

In relation to Surplus Internal Value, the potential entitlement of participants is as follows.

Table 2

Surplus Internal Value created (£0m implies PBT growth x Multiple plus net cashflow to shareholders is 9.5% per annum compound)	Shares accrued by reference to Surplus Internal Value created		
	Chief Executive	Finance Director	Pool distributed between three other executives
At or below £0m	0	0	0
Above £0m and for each £5m – 3 year Performance Period	833 Shares	333 Shares	500 Shares
Above £0m and for each £5m – 4 year Performance Period	833 Shares	333 Shares	500 Shares

In designing the Plan the Committee has attached great importance to the feature that the 'currency' of participants' rewards under the Plan will be in the form of Shares not cash. This is because the linkage of participants' rewards to the share price will further align the interests of shareholders and participants, and act as a further incentive to participants to deliver share price growth. However, the Committee has the power to satisfy awards in cash if this is considered appropriate for tax or regulatory reasons in any jurisdiction in which the Plan is operated.

The Committee's primary intention is to satisfy awards with existing Shares held by an employee trust or Shares held in treasury, rather than a new issue of Shares. However, the Company retains the discretion to issue up to 5% of equity for the purpose of satisfying awards. In addition, the Company will comply with institutional guidelines to the effect that no more than 10% of equity may be issued (or transferred as treasury shares) under all group share plans and no more than 5% of equity may be issued (or transferred as treasury shares) under any executive share plan in either case in any ten-year period. Where Shares to satisfy awards are held in an employee trust, that trust will not hold more than 5% of the Company's issued share capital.

The following table illustrates the 'sharing' between shareholders and participants of Surplus Value (both Surplus Shareholder Value and Surplus Internal Value) over the life of the Group VSP (that is, taking account of vestings at the end of both the three- and four-year Performance Periods). The table shows the number of Shares vesting by reference to a range of Surplus Value created and then (in the last two rows) illustrates the percentage shares of Surplus Value between shareholders and participants. For these purposes, the Performance Conditions and Performance Periods are treated as a single pool, and any additional cost or saving associated with hedging decisions relating to the provision of Shares is ignored (that is, awards are notionally treated as satisfied in cash).

Table 3

Illustrative Group VSP awards (Shares)	Range of Surplus Value created (averaging the outcomes for 3 and 4 years)				
	£0m	£50m	£100m	£500m	£1,000m
Chief Executive	-	25,000	50,000	250,000	500,000
Finance Director	-	10,000	20,000	100,000	200,000
Each of 3 Executive Committee members	-	5,000	10,000	50,000	100,000
Total Shares (assumes 3 Executive Committee members)	-	50,000	100,000	500,000	1,000,000
% of Surplus Value created for shareholders	n/a	98.7%	98.7%	98.6%	98.5%
% of Surplus Value created for participants	n/a	1.3%	1.3%	1.4%	1.5%

A participant will have no entitlement to Shares unless the relevant hurdle is exceeded. If the hurdle is not exceeded, the full amount of Shareholder Value or Internal Value (as the case may be) will accrue only to shareholders.

Cessation of Employment

Awards held by participants who leave at any time prior to the end of a Performance Period will lapse on cessation of employment unless they leave by reason of death, disability, or in other circumstances at the discretion of the Committee (*good leavers*).

Awards held by good leavers will ordinarily continue and vest at the end of the Performance Periods to the extent that the Performance Conditions are met at that date. The number of Shares which would otherwise vest will be pro-rated on the basis of actual service within the relevant Performance Period. Exceptionally (for example, if a participant is terminally ill), the Committee may allow an award to vest early having regard to performance achieved to the date of leaving. In appropriate circumstances, the Committee may moderate the application of the pro rata reduction if it considers that the participant's contribution to the business would not be fully recognised if the Share entitlement was scaled down in the manner described above.

Change of Control

In the event of a change of control of the Company, performance will be measured to the date of change of control and awards will vest to the extent that each Performance Condition is met at that date.

On a change of control, the method of calculating Surplus Internal Value will be varied in light of the accelerated maturity of the Plan. The Company's actual market capitalisation immediately prior to the change of control will be taken as the Internal Value for the final year of the Performance Period (*EV* in the calculation set out above). The method of calculating Surplus Shareholder Value will also be varied, in that the amount or value of the consideration paid on change of control would be used in place of the 60 day average share price described in (c) on page 8.

There will be no time pro-rating of awards if the change of control occurs more than 12 months after the Approval Date. This is because the value accrues under the Plan on a time-related basis so that the curtailing of the Performance Period can be expected automatically to reduce the value of the Plan. However, if a change of control occurs at any time in the 12 months after the Approval Date, the Committee will have discretion to prorate the number of Shares that would otherwise vest under the TSR Element of an award.

Any internal reorganisation to create a new holding company will not result in the accelerated vesting of awards; they will be replaced by awards over the shares in the new holding company unless the Committee determines otherwise.

Variation of Share Capital

If there is a variation in the share capital of the Company (including without limitation a rights or bonus issue or sub-division or consolidation of share capital, or a reduction of capital, or in the event of a demerger or payment of a special dividend), the Shares under award will be adjusted by the Committee to reflect that variation.

In the event of a demerger or other splitting-up of the existing group, the Committee will have power to authorise a partial vesting of awards if it considers that this is desirable to achieve the objectives of the Plan.

Rights Attaching to Shares

A participant will not have any voting or dividend rights in respect of Shares that are the subject of an award prior to the vesting of the award. All Shares allotted under the Plan will carry the same rights as any other issued ordinary shares in the Company and application will be made for the Shares to be listed by the UK Listing Authority and traded on the London Stock Exchange.

Benefits received under the Plan are not pensionable and may not be assigned or transferred except on a participant's death.

Amendments

In addition to the Committee's powers to vary Performance Conditions described above, it will have authority to amend the rules of the Plan, provided that no amendment to the advantage of participants or eligible employees may be made to provisions relating to the key features of the Plan without the prior approval of shareholders in general meeting unless the amendment is minor and made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment either for participants or members of the group. Key features are: who can be a participant, the limits on the number of Shares which can be issued under the Plan, the basis for determining a participant's entitlement to Shares and the terms on which they can be acquired, and the provisions relating to adjustments in the event of a variation in the Company's share capital.

Further information on Divisional Value Sharing Plans

The Plan also enables the Committee to establish Divisional VSPs to make one-off awards to executives with responsibility for managing the Group's five divisions – Smiths Detection, Smiths Medical, John Crane, Smiths Interconnect and FlexTek. Participation will be limited to the division heads and their core executive team members (anticipated to be between 5 and 10 executives from each division).

The Divisional VSPs will operate in a similar way to the Group VSP (that is, the Plan as described above) by providing a reward directly linked to the performance of the division in which the participant works. For each Divisional VSP, there will be a single performance condition relating to Internal Value created between 1 August 2008 and the end of each Performance Period, to the extent that the Internal Value grows by more than a specified percentage per annum. For these purposes:

- (a) participants will be rewarded for growth in divisional headline operating profit (***Divisional Profit***) times a fixed multiple (plus net cash remittances to the parent company) above a hurdle. The multiples will vary by division to reflect current sum of the parts valuations and market conditions;

- (b) the hurdle will be based on a calculated weighted average notional cost of capital (**WACC**) for each division as determined by the Committee. The Committee will also have discretion to vary the rate that applies to any additional capital borrowed or returned to ensure divisions are 'charged' appropriately for the capital they employ. The overall hurdle rate cannot fall below an agreed minimum (which will also be determined by the Committee for each division);
- (c) Divisional Profit will be calculated in accordance with IFRS. The Committee will have discretion to adjust for exceptional items and other matters which it considers to be substantially outside management control. The purpose of any adjustment would be to ensure an outcome that is fair both to executives and to shareholders. Performance of each division will be measured after the cost of the relevant Divisional VSP; and
- (d) the Committee will determine the number of Shares which accrue to a participant for each £5 million of Surplus Value (or part thereof) created.

In other respects, the Divisional VSPs will generally operate in a similar way to the Group VSP, including the duration of the Performance Periods and the satisfaction of awards in Shares. Some differences are, however, highlighted below.

Some structural differences arise from the fact that participants work for a division. In the event that a division is sold outside the group before the end of a Performance Period, the performance condition will be applied as at the time of sale. For these purposes, the amount of the sale consideration will be used to calculate the final Internal Value. However, the Committee will have power, acting fairly and reasonably, to adjust the reward to participants in a Divisional VSP if, in light of the sale consideration achieved, it considers that the hurdle return or Multiple originally adopted was too high or too low. Vesting of Shares in these circumstances will be conditional upon the participant, in the view of the Committee, behaving in shareholders' interests. Any Shares due to a participant will be released in one or more tranches as determined by the Committee (even if such date is after the end of the Performance Period).

Similar principles to those set out above will apply in the event of a transaction involving the demerger of a division to the Company's shareholders. In these circumstances, the number of Shares which vest will be determined by reference to the value of the demerged division at or shortly following the demerger.

In the event of a change of control of the Company before the end of a Performance Period, the Committee will have power to require the Divisional VSPs to continue for the remainder of the Performance Period (even though the Group VSP will terminate) in order that divisional performance can be assessed on the basis originally intended. In this event, the Committee will have power to determine the basis on which the Divisional VSPs should continue, including determining the "currency" of payment of the participant's award once Smiths' Shares have ceased to be available and implementing appropriate governance structures to safeguard the interests of participants following the change of control. Alternatively, the Committee will have power to crystallise the financial value of the Divisional VSPs on change of control (on similar principles to those set out above in relation to the Group VSP) but may make release of the crystallised amount dependent on the participant not resigning and/or not being dismissed for cause prior to the end of the Performance Period.

As regards cost of the Divisional VSPs, if every division exceeds its WACC by the same percentage, the total cost of all five Divisional VSPs is expected to be between 3.0% and 4.0% of the total divisional Surplus Value created over the full life of the plans. If there was a material divergence between the divisions' achievement on WACC, then the total cost of the Divisional VSPs could exceed this range.

APPENDIX 3

SUMMARY OF THE SMITHS GROUP CO-INVESTMENT PLAN (CIP)

The following paragraphs summarise the CIP as it operates currently, and as it will operate if the proposed amendments to be considered at the EGM are approved by shareholders.

Eligibility

Executive directors and other senior executives may be invited to participate in the CIP at the discretion of the Committee.

Grant of Awards

Invitations to participate in the CIP are normally issued shortly following the preliminary announcement of the Company's results for any year. No payment is required for the grant of awards. No invitation to participate in the CIP may be issued after 16 November 2014 (the tenth anniversary of the date on which it was originally approved by shareholders).

Form of Awards

For awards made in 2007 and previous years, participants were permitted, on a voluntary basis, to invest an amount not exceeding their full annual bonus or, if greater, 25% of their base salary (in both cases, post-tax) in Shares (**Purchased Shares**). This arrangement will also apply to awards to be made in 2008 in respect of 2007/08 bonus. At the end of a three year holding period, the Purchased Shares are eligible for release to the participant together with a number of additional Shares (**Matching Shares**) if certain conditions are met, including the performance conditions described below.

For awards made in late 2009 (in respect of 2008/09 bonus) and future years, participants will be required to invest 50% of their post-tax annual bonus in Purchased Shares. At the end of the three year holding period, the Purchased Shares will be eligible for release to the participant together with a number of Matching Shares if relevant conditions are met, including the revised performance conditions described below. Participants will no longer be able voluntarily to invest up to 100% of their post-tax annual bonus in the CIP.

Performance Conditions

Matching Shares are only eligible for release if a performance condition is satisfied over a three year performance period. For awards made in 2007 and previous years (and those to be made in 2008), the performance condition is that the Company's average Return on Capital Employed (**ROCE**) over the performance period must exceed the Company's weighted average cost of capital (**WACC**) over the same period by an average margin of at least 1% per annum. If the performance condition is satisfied, the Purchased Shares will attract Matching Shares on a 1-for-1 basis (both expressed in post-tax terms, bearing in mind that the Purchased Shares are invested post-tax, but the Matching Shares generally only attract tax if and to the extent that they vest).

For awards made in late 2009 (in respect of 2008/09 bonus) and future years, the number of Matching Shares for every Purchased Share will be 2-for-1 (expressed, again, in post-tax terms) if the Company's average ROCE over the performance period exceeds the Company's WACC over the same period by an average margin of at least 3% per annum. If this enhanced performance condition is not achieved, but the Company's average ROCE over the performance period exceeds the Company's WACC over the same period by an average margin of at least 1% per annum, then (as currently) a participant will be entitled to one Matching Share for every Purchased Share (expressed, again, in post-tax terms).

The Committee continues to regard this performance condition relating to ROCE as appropriate as it is a test of the operating efficiency of the Company. ROCE will be calculated excluding exceptional items and after adding back to Capital Employed goodwill previously set off directly against reserves. For these purposes, the Committee will continue to assess ROCE on the basis indicated and may, following consultation with the Company's auditors, make adjustments to ensure equitable treatment.

Cessation of Employment

If a participant leaves employment within six months of acquiring his Purchased Shares, his entitlement to Matching Shares will automatically lapse. A leaver's entitlement to Matching Shares will also lapse if he leaves after the six month period, unless he leaves by reason of death, disability, or other circumstances at the discretion of the Committee (*good leavers*).

Investments in Purchased Shares by good leavers will remain eligible for Matching Shares provided the Purchased Shares are held at the end of the relevant performance period, but only to the extent that the performance condition has been met. However, the number of Matching Shares will normally be pro-rated on the basis of actual service within the three financial years constituting the performance period. Exceptionally (for example, if a participant is terminally ill), the Committee may release Matching Shares early. In appropriate circumstances, the Committee may moderate the application of the pro rata reduction if it considers that the participant's contribution to the business would not be fully recognised if the Matching Share entitlement was scaled down in the manner described above.

If a leaver loses his entitlement to Matching Shares, he will still retain his Purchased Shares.

Change of Control

In the event of a change of control, performance will be measured to the date of the change of control and awards will vest on the basis of performance up to the time of the change of control.

The Committee will have discretion to adjust the vesting level if it considers that the performance condition would have been met to a greater or lesser extent at the end of the full three-year performance period.

Any internal reorganisation to create a new holding company will not result in the accelerated vesting of awards; they will be replaced by awards over shares in the new holding company unless the Committee determines otherwise.

Other Provisions

For awards made in respect of bonus for 2008/09 and subsequent years, participants will be entitled to notional dividends which would have been paid in the three year vesting period on those Matching Shares that vest.

For awards made in respect of bonus for 2008/09 and subsequent years, participants will, at the discretion of the Committee, be entitled to elect to pay income tax and social security liabilities in respect of the Matching Shares at the time of grant of the award, rather than on vesting. As a result, the participant would be beneficial owner of the Matching Shares from the time of grant, but the Matching Shares would be at risk of forfeiture to the extent that the performance condition was not met. Where a participant so elects, the income tax and social security liabilities would be payable from a separate source (rather than from a sale of a proportion of the Matching Shares), and would not be refundable (that is, if forfeiture occurred).

The provisions of the VSP (as summarised in Appendix 2) relating to adjustment of awards, rights attaching to Shares, alterations to the rules and limits on the issue of Shares apply on a similar basis to the CIP.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SMITHS GROUP PLC

(the *Company*)

(Registered in England and Wales with company number 137013)

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at Allen & Overy LLP, One Bishops Square, London E1 6AD at 2.00pm on 28 July 2008, to consider and, if thought fit, pass the following resolutions, of which resolution 1 will be proposed as a special resolution and resolutions 2 to 3 will be proposed as ordinary resolutions:

Resolution 1:

THAT, with effect on and from 1 October 2008, the Articles of Association produced to the Meeting and initialled by the Chairman for the purpose of identification, be adopted in substitution for, and to the exclusion of, the current Articles of Association.

Resolution 2:

THAT the Smiths Group Value Sharing Plan (the *Group VSP*), the principal terms of which are summarised in the letter to shareholders from the Chairman dated 4 July 2008 (and Appendix 2 to that letter) and as shown in the rules of the Group VSP produced to the Meeting and initialled by the Chairman for the purpose of identification, be and is hereby approved and that the directors be and are hereby authorised to do all such acts and things as they may consider appropriate to implement the Group VSP including the establishment of the Divisional Value Sharing Plans and the making of any amendments to the rules and the establishment of any sub-plans for the benefit of employees outside the UK (modified as necessary to take account of relevant exchange control, taxation and securities laws of the relevant jurisdiction); and the directors be and are hereby authorised to vote as directors and be counted in any quorum on any matter connected with the Group VSP, notwithstanding that they may be interested in the same, save that no director may vote or be counted in the quorum on any matter solely concerning his own participation herein, and that any prohibition on directors' voting shall be suspended to this extent accordingly.

Resolution 3:

THAT the amended rules of the Smiths Group Co-Investment Plan (the *CIP*), the principal terms of which are summarised in the letter to shareholders from the Chairman dated 4 July 2008 (and Appendix 3 to that letter) and as shown in the rules of the CIP produced to the Meeting and initialled by the Chairman for the purpose of identification, be and are hereby approved and that the directors be and are hereby authorised to do all such acts and things as they may consider appropriate to implement the amended rules of the CIP; and the directors be and are hereby authorised to vote as directors and be counted in any quorum on any matter connected with the CIP, notwithstanding that they may be interested in the same, save that no director may vote or be counted in the quorum on any matter solely concerning his own participation herein, and that any prohibition on directors' voting shall be suspended to this extent accordingly.

By Order of the Board

Sarah Cameron

Secretary

Date: 4 July 2008

Registered office:
765 Finchley Road
London NW11 8DS

Notes

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the extraordinary general meeting (**EGM**) provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Equiniti Limited on 0871 384 2943. (Calls to this number are charged at 8p per minute from a BT landline. Other telephony providers' costs may vary.)
2. In order to be valid any proxy form or other instrument appointing a proxy must be received by one of the following methods:
 - (i) in hard copy form using the reply-paid envelope or otherwise by post (in which case postage will be payable), by courier or (during normal business hours only) by hand to the Company's registrars Equiniti Limited, The Causeway, Worthing, West Sussex, BN99 6DA;
 - (ii) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below; or
 - (iii) by appointing and registering the proxy vote electronically by visiting the website www.sharevote.co.uk (the on-screen instructions will give details on how to complete the appointment and voting process),and in each case must be received by the Company not less than 48 hours before the time of the meeting.
3. The return of a completed proxy form, other such instrument, any CREST Proxy Instruction (as described in paragraph 9 below) or the appointment of a proxy electronically will not prevent a shareholder attending the EGM and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **Nominated Person**) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the EGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. In order to be entitled to attend and vote at the EGM or any adjourned meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 6.00pm on 25 July 2008 (or, in the event of any adjournment, 6.00pm on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 3 July 2008 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 387,879,181 ordinary shares carrying one vote each and 459,157 B shares which do not carry voting rights. Therefore the total voting rights in the Company as at 3 July 2008 are 387,879,181.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the

meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

13. Copies of the following documents may be inspected at the registered office of the Company and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD during usual business hours on any weekday (public holidays excepted) until the conclusion of the EGM:
 - (i) the draft of the proposed new Articles of Association (clean) referred to in Resolution 1 and a copy of the existing Articles of Association marked to show the changes being proposed by Resolution 1;
 - (ii) the draft of the rules of the VSP; and
 - (iii) the draft of the rules of the CIP as they are proposed to be amended.

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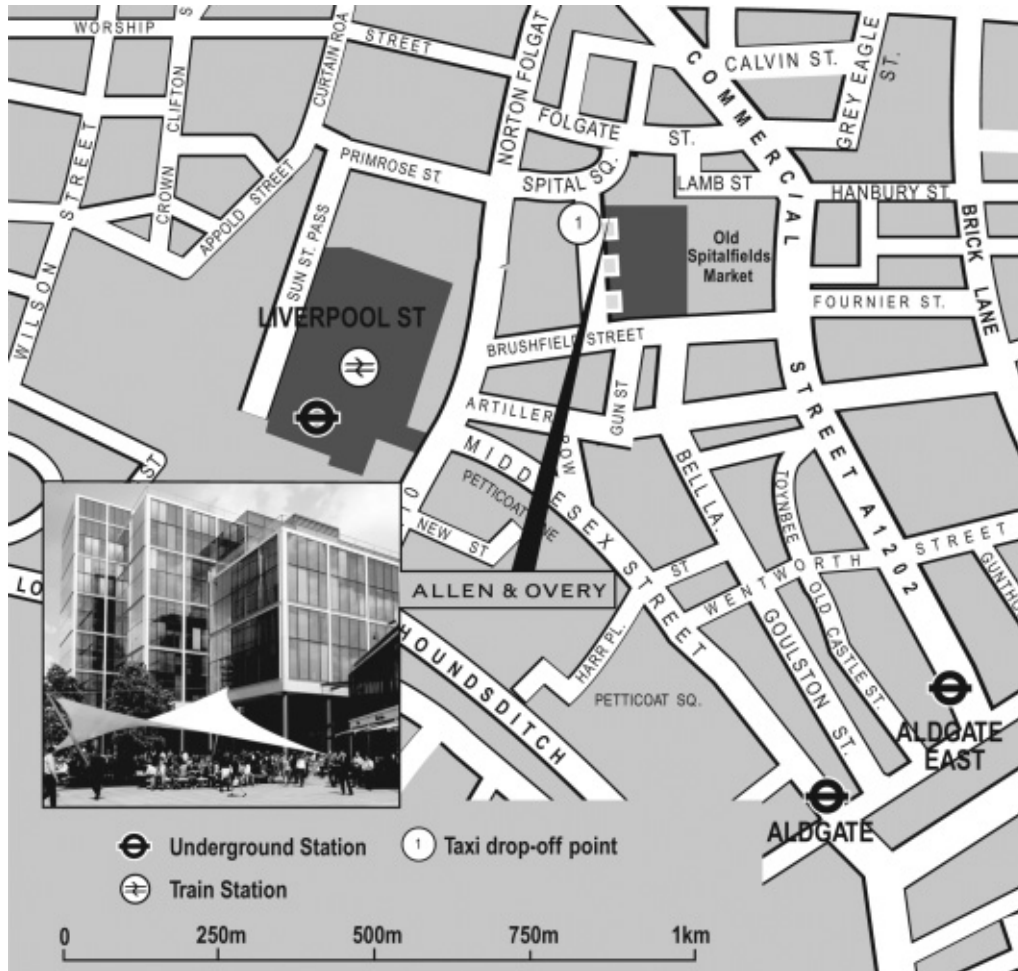
Smiths Group plc - Extraordinary General Meeting

Date: 28 July 2008

Time: 2.00 pm

Location: Allen & Overy LLP, One Bishops Square, London E1 6AD

Tel: 020 3088 0000 (Allen & Overy switchboard)



By foot

Bishops Square is within easy walking distance from Liverpool Street Station. Walk northwards up Bishopsgate and turn right into Brushfield Street. You will see an open square with trees and a white tented structure. Walk past the tented structure and take any of the three entrances.

By underground

The nearest underground station is Liverpool Street Station, situated on the Central line. Other nearby underground stations are Aldgate on the Metropolitan and Circle lines and Aldgate East on the Hammersmith & City line.

By taxi

Ask your taxi driver to drop you off in Brushfield Street, just off Bishopsgate.