

**16 May 2007**

### **Return of cash – posting of circular**

Smiths Group plc ("Smiths" or the "Company") announces that it is posting a circular to its shareholders and convening an Extraordinary General Meeting, to be held on 11 June 2007, to obtain shareholder approval for the proposed return of £2.1 billion of cash to shareholders.

On 15 January 2007 the Company announced that it had signed an agreement for the sale of Smiths Aerospace to GE Aviation UK for a total cash consideration of US\$4.8 billion and that, following completion of the sale, it proposed to return £2.1 billion to shareholders. On 4 May 2007, the Company announced the completion of the sale of Smiths Aerospace to GE Aviation UK. Smiths received in total approximately US\$5.1 billion on completion, the excess over US\$4.8 billion representing the net indebtedness owing by Smiths Aerospace at completion and the net effect of certain adjustments to the consideration under the terms of the sale agreement.

The return is being made using a B share scheme which gives certain UK tax resident shareholders a choice between receiving the cash in the form of income or capital and, so far as possible, gives those who choose capital a choice as to when the return is made. The return will be accompanied by a share consolidation to maintain comparability of earnings per share and other company data. Further details are set out below.

Highlights of the return of cash:

- Shareholders to receive 365 pence per existing ordinary share.
- Return to be implemented by way of a B share issue which provides UK tax resident shareholders with flexibility to elect to receive cash in the form of income or capital or a combination of the two.
- 2 for 3 share consolidation to seek to maintain comparability of share price, earnings per share and dividends per share.
- Extraordinary General Meeting to approve the proposed return of cash on 11 June 2007.
- Cheques expected to be dispatched to shareholders and CREST accounts credited on 28 June 2007.

Details of the return of cash:

Subject to shareholder approval and listing of both the B shares and the new ordinary shares arising on the share consolidation, shareholders will receive one B share for every existing ordinary share that they hold on 15 June 2007. Shareholders (other than those in the United States, Canada, Australia and New

Zealand) will be able to elect between the following choices in respect of those B shares:

- To receive a single dividend of 365 pence per B share for some or all of their B shares. B shares in respect of which a shareholder has chosen to receive this single dividend payment will automatically be converted into deferred shares, which will have negligible value.
- To accept an offer by JPMorgan Cazenove Limited (“JPMorgan Cazenove”) to sell some or all of their B shares to JPMorgan Cazenove (acting as principal) for 365 pence per B share, free of all dealing expenses and commissions, on 25 June 2007 (or such later date as the directors of the Company may decide). Further details of this offer are contained within the circular.
- To retain some or all of their B shares. It is currently expected that JPMorgan Cazenove, acting as principal, will make a final purchase offer to acquire any retained B shares for 365 pence per B share, free of all dealing expenses and commissions, on or around 17 April 2008, although there can be no guarantee that such an offer will be made.

The B shares will be admitted to trading on the London Stock Exchange’s main market for listed securities and admitted to the Official List of the UK Listing Authority and those which are retained will pay a dividend fixed at 75 per cent. of 12 month LIBOR per annum on 365 pence per B share. Shareholders who do not elect, or who are not eligible to elect, for any of the B share alternatives will receive the single dividend of 365 pence per B share on all of their B shares.

A share consolidation will be undertaken in conjunction with the return of cash. Existing ordinary shares will be subdivided and consolidated so that shareholders receive 2 new ordinary shares for every 3 existing ordinary shares held on 15 June 2007. The intention is that, subject to market movements, the share price of one new ordinary share immediately after listing should be approximately equal to the share price of one existing ordinary share immediately beforehand. The effect of the share consolidation will be to reduce the number of issued ordinary shares to reflect the return of 365 pence per ordinary share, but shareholders will own the same proportion of Smiths issued share capital immediately following the consolidation as they did previously (subject to fractional entitlements). The ratio used for the share consolidation has been set by reference to Smiths market capitalisation at close of business on 14 May 2007.

New ordinary shares will be traded on the London Stock Exchange in the same way as existing ordinary shares and will be equivalent to the existing ordinary shares in all material respects, including their dividend, voting and other rights.

Full details of the return of cash and share consolidation are contained in the circular.

Expected timetable of principal events

Latest time and date for receipt of forms of proxy for EGM	10.00 am on 9 June 2007
EGM	10.00 am on 11 June 2007
Record date for issue of B shares and share consolidation	5.00 pm on 15 June 2007
Commencement of dealings in new ordinary shares	8.00 am on 18 June 2007
Latest time for receipt of election forms for the B share choices	3.00 pm on 21 June 2007
Single B share dividend declared and JPMorgan Cazenove makes initial purchase offer	25 June 2007
Cheques dispatched and CREST accounts credited	28 June 2007

For further information:

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Two copies of each of the documents listed below have been submitted to The Financial Services Authority and will be available for inspection at the Document Viewing Facility which is situated at:

The Financial Services Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

Documents submitted:

Circular relating to the proposed return of cash to shareholders

Form of proxy

Election form for use by shareholders in respect of the initial repurchase offer and/or retention of B shares

in relation to proposed return of cash to shareholders

JPMorgan Cazenove Limited is regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority and is acting exclusively for Smiths and no-one else in connection with the return of cash and will not be responsible to anyone other than Smiths for providing the protections afforded to clients of JPMorgan Cazenove Limited nor for giving advice in relation to the return of cash.

Credit Suisse Securities (Europe) Limited ("Credit Suisse"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for Smiths and no one else in connection with the matters referred to in this announcement and will not be responsible to any person other than Smiths for providing the protections afforded to clients of Credit Suisse, or for providing advice in relation to these matters.

Shareholders in the United States, Canada, Australia and New Zealand will automatically receive the single B share dividend and the other alternatives are not being and will not be offered to shareholders in those jurisdictions.