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smiths medical
bringing technology to life

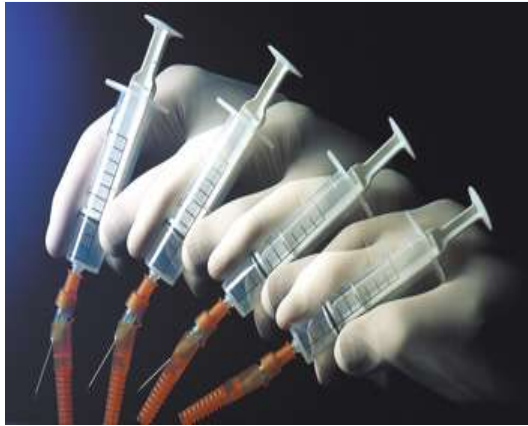
Investor Day: Bringing technology to life, London, Thursday, 3 May 2007

Profile of Smiths Medical

- High-margin specialized medical device company
- Global sales of c.£700M in 2006. Net margin of 19%
- Well placed to capitalize on patient demographics & market trends
- Leading positions in key segments & with customers
- Growth driven by innovation, geographic expansion, disease state / care area strategy
- Global reach in design, production and distribution
- More coherent branding...12 flagships
- Executing on operational improvements ... more to do



Smiths Medical: Bringing technology to life



Smiths Medical is a world leader in the practical application of advanced technologies.

Making the world, safer, healthier and more productive

Smiths Medical: How we do what we do

Operating in sectors of high growth

- Targeting chronic disease states
- Capitalising on strong presence in high margin, high growth segments

Reaching deep into global markets

- Expanded sales & marketing activities to over 100 countries
- Going direct in key markets

Developing technology to help customers succeed

- Developing new solutions within portfolios
- Integrating technologies across the product portfolios

Delivering constant improvement

- Integrating the business on to a single ERP software platform
- Rationalising manufacturing & localising in low cost countries

Improving the business mix

- Medex acquisition established us as a leader in safety devices
- Using our core competencies to move in to high growth adjacencies

Doing business the right way

- Rigorous attention to stringent medical device regulatory requirements
- Supporting clinical research – Young Everest Study

Regional demographic & healthcare market factors

Europe

- 9% GDP spend on healthcare
- 400M population
- 17% population ≥ 65
- 2.25M hospital beds

China

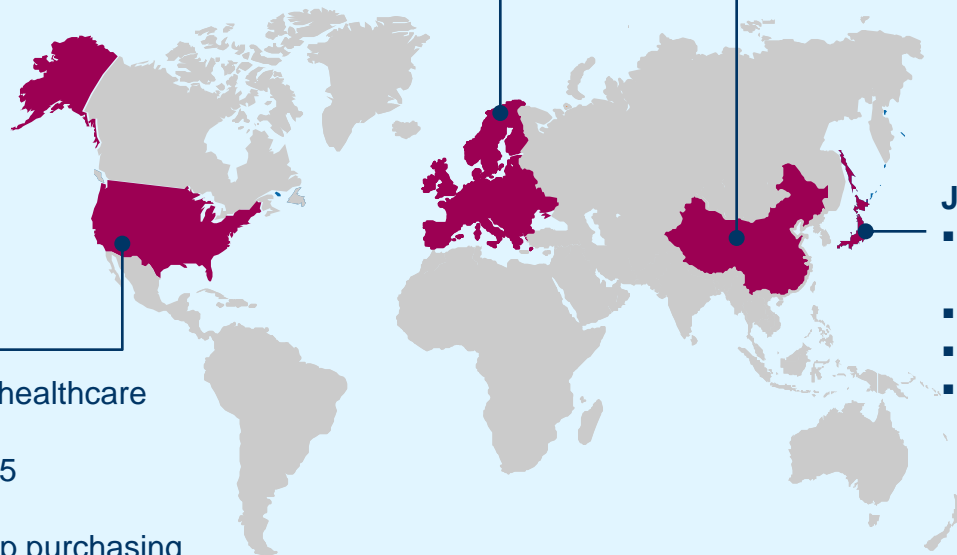
- 6% GDP spend on healthcare
- 1.3b population
- 8% population ≥ 65
- 3m hospital beds

Japan

- 8% GDP spend on healthcare
- 125m population
- 21% population ≥ 65
- 1.8m hospital beds

USA

- 16% GDP spend on healthcare
- 300M Population
- 13% population ≥ 65
- 1m hospital beds
- 63% market via group purchasing



Source: Medistat. Note: Europe data comprised of the following countries: UK, France, Germany, Italy, Spain, Belgium, Netherlands, Sweden, Norway, Finland, Denmark, Poland, Hungary, Czech Republic, Switzerland

Key market themes & trends

Patient demographics

- ↑ middle class in developing markets & aging population in developed markets
- Healthcare going outpatient (eg. oncology centres and pain clinics)

Clinical convergence

- Boundaries between specialties blurring
- Diagnosis & therapy convergence

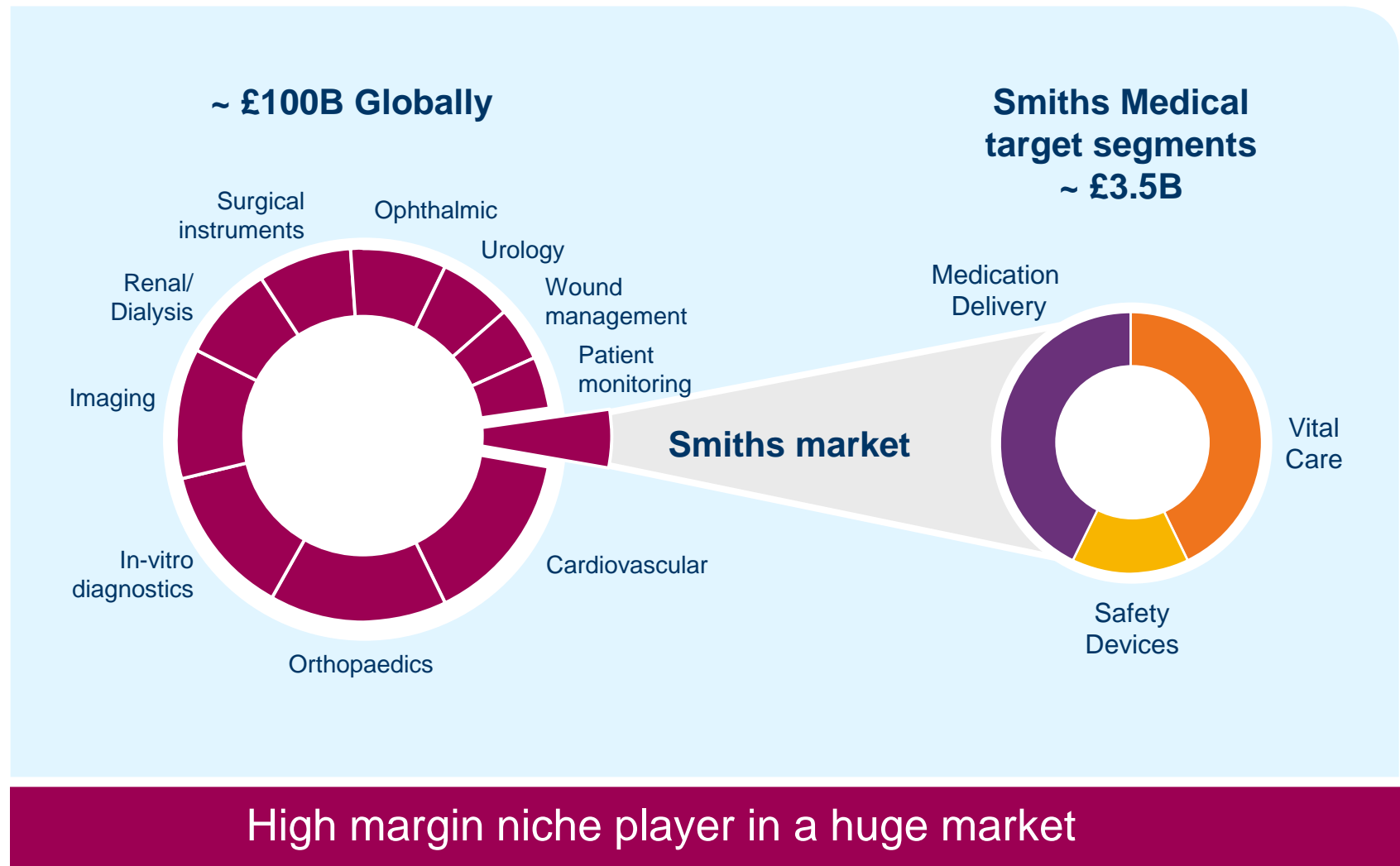
Customer productivity

- ↑ demand for cost/benefit analysis; higher prices for innovation
- ↓ hospital stays ... Intuitive, easy to use, products will win

Information convergence

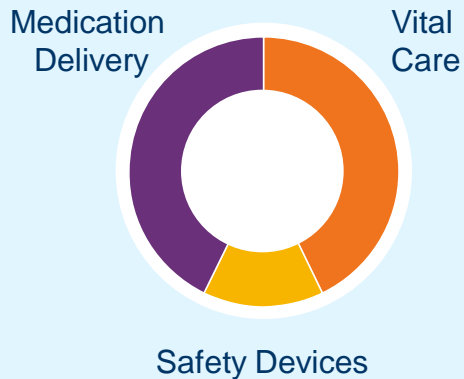
- Connectivity to hospital & clinical IT systems
- Home care settings increasingly require Internet capabilities

Global medical device market



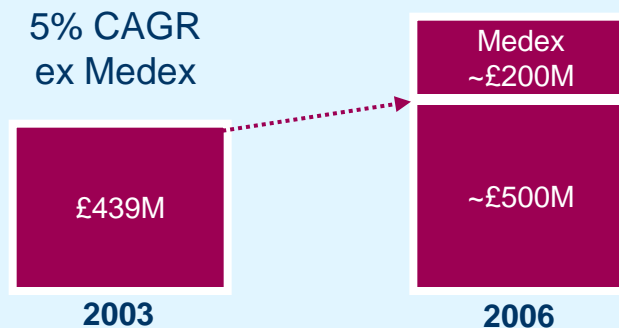
Smiths Medical market position

Addressable market ~£3.5B



	Market size	Market growth	Smiths Medical sales FY06	Smiths Medical approx share
Medication Delivery	~£1.5B	6%	~£250M	17%
Vital Care	~£1.5B	4%	~£300M	20%
Safety Devices	~£0.5B	6%	~£150M	30%
Total	~£3.5B	5%	~£700M	20%

Smiths Medical historical sales growth



Key growth drivers

- Needle & sharps safety
- Insulin pumps
- Ambulatory infusion pumps
- Tracheostomy tubes
- Pain Management
- Smaller niches eg. IVF

Smiths Medical Strengths

Deliver Medication



Provide Vital Care



Keep People Safe



Smiths Medical Strengths

Deliver Medication



Provide Vital Care



Keep People Safe



Deliver Medication

- Relieve acute & chronic pain with drug delivery systems
- Treat cancer through chemotherapy delivery devices
- Deliver insulin through user friendly pumps
- Reduce programming & delivery errors with intelligent pumps

Deliver Medication: Market dynamics

Drivers

- Growth of chronic conditions (eg. Pain, Cancer)
- Integration with hospital IT systems
- Evolution to new sites of care

Trends

- Wireless information flow
- High quality displays
- Standardisation: technology, platforms & protocols

Market size:

~ £1.5bn

Market growth:

~ 6%



Deliver Medication: Key brands

FY06 Sales: ~£250m

CADDTM

No.1



- Drug delivery systems that allow complete patient mobility
- Customers: Anaesthesia, Oncology & Pain Management
- Key Competitors: Baxter & Hospira

medfusionTM

No.1
US



- Superior accuracy makes it No.1 for neonatal drug delivery
- Customers: Anaesthesia & Paediatrics
- Key competitors: Alaris (Cardinal) & B.Braun

CozMoReTM

No.2
US



- Comprehensive range for insulin delivery & glucose monitoring
- Customers: Endocrinology & Diabetes Care
- Key Competitors: Minimed (Medtronic), Disetronic (Roche) & Animas (J&J)

Smiths Medical Strengths

Deliver Medication



Provide Vital Care



Keep People Safe



Provide Vital Care

- Manage the airway during & after surgery
- Provide respiratory care to those with breathing difficulties
- Maintain correct body temperature
- Monitor vital signs such as blood pressure & heart rate
- Assist reproduction through IVF therapy

Provide Vital Care: Market dynamics

Drivers

- Operations & intensive care beds growing
- Rapid increase in respiratory diseases & obesity
- Increasing demand for single use products

Trends

- Increasing adoption of minimally invasive procedures
- Cost/benefit justifications required for new products
- Technology driving interest in antimicrobial coatings

Market size:

~ £1.5bn

Market growth:

~ 4%

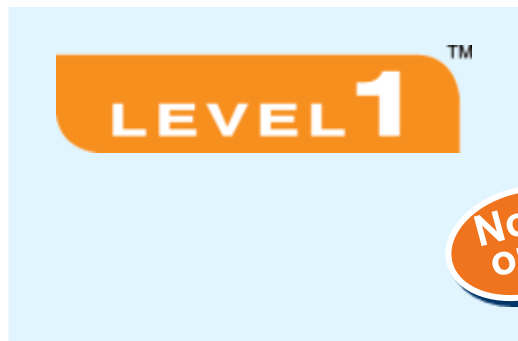


Provide Vital Care: Key brands

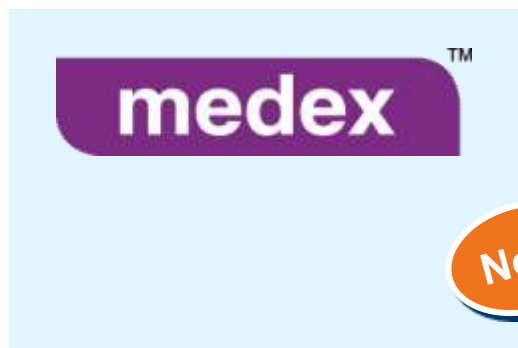
FY06 Sales: ~£300m



- Life saving products that keep you breathing
- Customers: Anaesthesia & Intensive Care
- Key Competitors: Covidien (Tyco), Teleflex & LMA Company



- Delivers life saving fluids at the correct temperature
- Customers: Anaesthesia, Intensive Care & Emergency Rooms
- Key Competitors: Covidien (Tyco) & Arizant



- Modular systems for invasive blood pressure monitoring
- Customers: Anaesthesia, Intensive Care & Cath Labs
- Key Competitors: Edwards, Hospira & Codan

Young Everest Study & Xtreme Everest



The 2007 Everest Medical Research Expedition

Exploring Human Physiology at Extreme Altitude



- Funding for high altitude laboratory at Namche Bazaar
- Organised by University College London, 45 scientists and 208 volunteers to research hypoxia - lack of oxygen in cells
- Most intensive care patients suffer from hypoxia, which requires invasive treatment
- 'SMYES' is occurring in parallel and will conduct research specific to children
- 'SMYES' study led by Prof. Monty Mythen, Smiths Medical Chair of Anaesthesia and Critical Care at UCL
- Results from both studies will be used in the development of new medical devices



Smiths Medical Strengths

Deliver Medication



Provide Vital Care



Keep People Safe



Keep People Safe

Prevent injuries & reduce cross infections through easy to use & effective safety devices for:

- drawing blood samples
- giving injections / vaccinations
- delivering intravenous drugs

Keep People Safe: Market dynamics

Drivers

- Cross selling with other IV & infusion systems
- New markets: eg. dental & pharmaceutical
- Growth of HIV & other infectious diseases

Trends

- Market moving towards passive, intuitive devices
- Countries adopting safety legislation (EU pending)
- Shorter product life cycles, speed of innovation

Market size:

~ **£0.5bn**

Market growth:

~ **6%**



Keep People Safe: Key brands

FY06 Sales: ~£150m



Intravenous Catheters



No.2

Blood Sampling



No.2

Needle Protection



No.3

- Comprehensive range that saves lives by preventing cross infections
- Helps reduce estimated 2 million needlestick injuries per year
- Customers: Anaesthesia, Intensive Care & Infection Control
- Key Competitors: Becton Dickinson, Covidien (Tyco) & B.Braun

Smiths Medical Strengths

Deliver Medication



Provide Vital Care



Keep People Safe



We focus on improved outcomes. We help deliver medication, provide vital care and keep people safe so that every intervention can succeed.

Keys to future growth



New product innovation and introduction



Near neighbour adjacencies



Geographical expansion



Branding coherence

Growth Initiatives: Deliver medication

New products



Next Generation Ambulatory Pump

Addressed needs

- Helps minimise medication errors
- Compact & higher quality display
- Easy to programme
- Links to Hospital IT systems

Adjacent areas

- Use with new pharmaceuticals
- Enteral feeding



Syringe Pump Enhancements

- Barcode reading
- Connectivity with hospital IT systems
- Delivers relief for acute/post-operative pain

- New applications for delivering anaesthetics



Cleo 90: Insulin Infusion Set

- Easy insertion for subcutaneous delivery
- One-handed operation
- Automatic needle safety mechanism

- Other therapy areas (eg. Pain management)

Growth Initiatives: Provide Vital Care

New products



Suction Pro 72 Closed Suction

Addressed needs

- ↓ Ventilator Associated Pneumonia
- Used with Endotracheal & Tracheostomy tubes
- Longer usage times

Adjacent areas

- Part of an enlarged Homecare offering with the Portex Airway portfolio
- Supports expansion in growing Respiratory Disease segment



VR1 Resuscitator

- Emergency resuscitation delivered on scene
- Easy to use, hand held device
- Enhanced safety features
- Gas powered, no need of battery

- Commercial, transport & alternate site opportunities



Wireless Blood Pressure Monitoring

- Reduced need for cables
- Easy transportation of patients within hospital
- Links with vital signs monitors & Hospital IT systems

- Development of “Point of Care” monitoring

Growth Initiatives: Keep People Safe

New products



Edge Needle Protection

Addressed needs

- Easy to use, one-handed activation
- ↓ drug wastage
- Integrated needle & safety mechanism
- Colour coding for quick reference

Adjacent areas

- Alternate care sites
- Partnering with kitting & pharmaceutical companies



Fixed Needle Safety Syringe

- Easy to use, one-handed activation
- Insulin, TB & allergy injections
- Sterile syringe trays for allergy testing

- New therapy areas



Next Gen IV Catheters

- Increase ProtectIV automated capacity
- Automatic activation of safety mechanism
- Lower cost variants for developing markets
- Full range of IV catheters available

- Other “Own Brand Label” opportunities
- Veterinary & animal health

Increasing technology spend effectiveness

Initiative: Focus Resources on Key Portfolios



Action

- Global Marketing and R&D Councils now operating
- Finalising Worldwide Product Plans
- Key lines for investment have been identified
- Number of products being rationalised
- Establishing R&D in China & India

Planned outcome

- Consistent approach to developing global new products
- Improved speed to market
- Higher % of sales from new products
- Increased profitability & reduced complexity
- Regionally tailored products & more efficient use of funds

Initiative: Continued Investment in Process Technology



Action

- Installing high volume, high speed, automated production
- Upgrading existing lines for new products & adding capacity

Planned outcome

- Improved margins
- Global, not phased, product launches
- Increased market share

Regional game plan

Americas

- New Infusion pumps
- New safety IVCs
- Capacity expansion
- Increased focus outside Hospital
- Expansion of Mexican manufacturing base

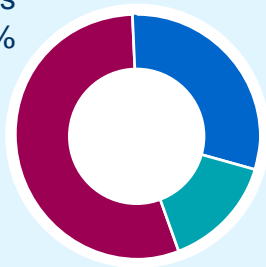
EMEA

- New product introductions
- Conversion to Safety
- Improved customer service
- Distributor to Direct Strategy



2006 Smiths Medical sales (c.£700m)

Americas
55%



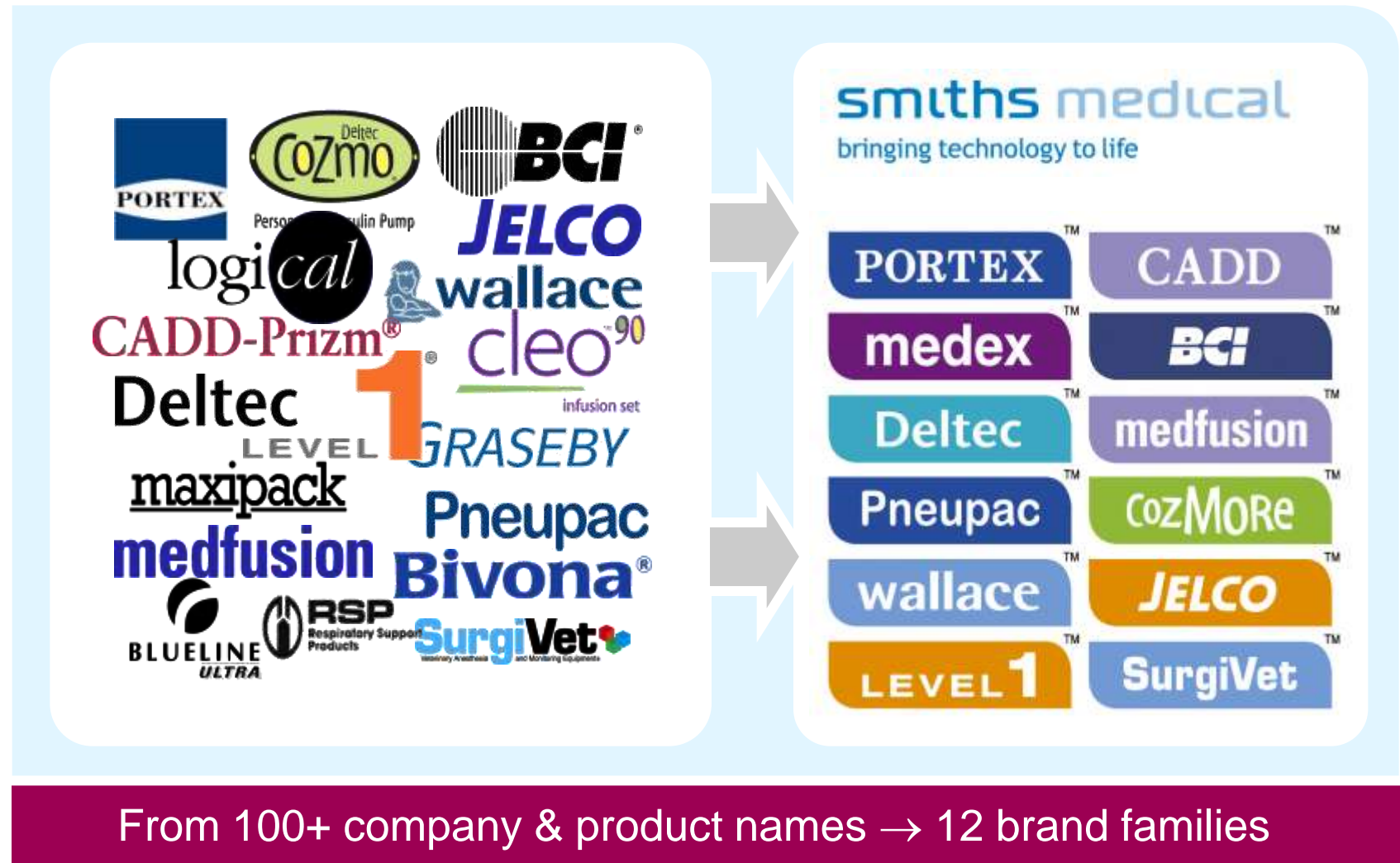
EMEA
30%

Asia Pacific
15%

Asia Pacific

- Focus on China & India
- Acquisitions
- Right products for the markets (price & spec)
- Direct presence to support local distributors

Creating global brand coherence



Cost reduction

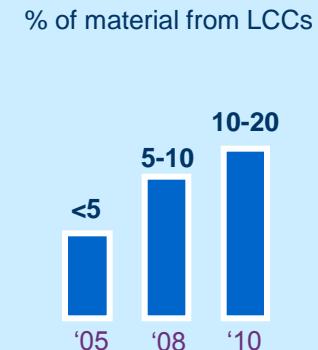
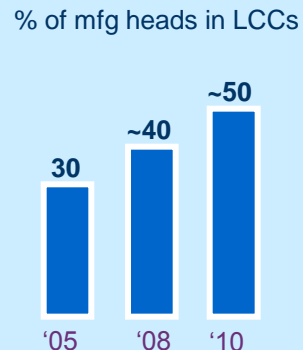
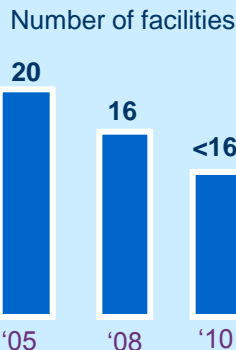
Manufacturing Strategy

- Fewer, world class, facilities
- High volume lines automated
- High labour content in LCCs



Execution to drive cost down

2006 Plan



Actions to date

- Duluth (US) and Munich closed
- Wampsville (US) & Hythe (UK) to close in 2007

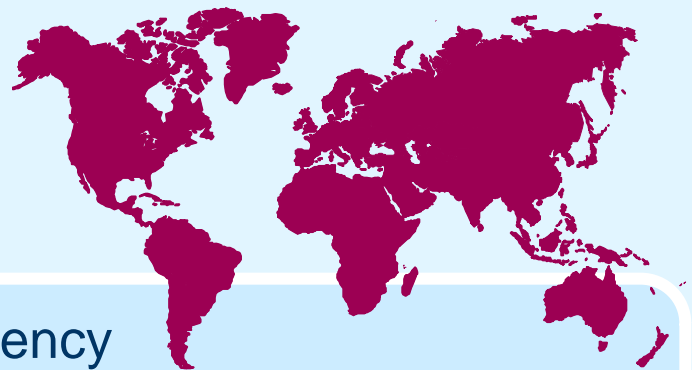
- Progress ahead of plan
- July 2006 – 35%
- March 2007 – 42%

- Global sourcing function established
- Sourcing teams set up in Mexico and China

Focus on operating efficiency

Operating Strategy

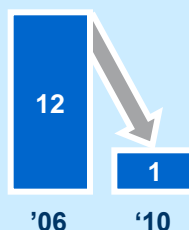
- Common, unified information
- Standardized processes
- Rationalized supply chain



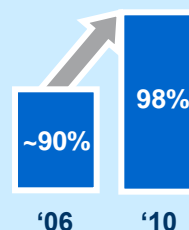
Simplification driving operating efficiency

2006 Plan

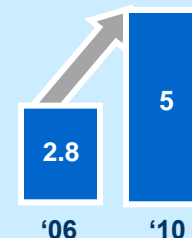
of Business IT Systems



Service Levels



Inventory Turns



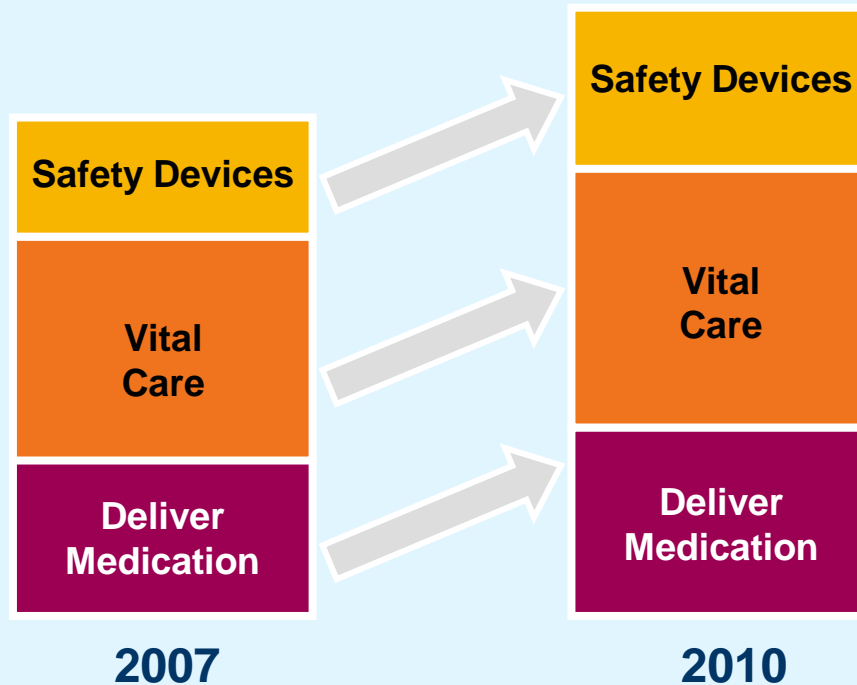
Actions to date

- 54% of business & 60% of people operating on "one" system
- Service levels aligned to customers and products
- Common business IT system utilised
- Focused offer for sale
- Greater emphasis on lead times

Projected Revenue Growth

CAGR: 5% - 7%

Growth drivers



- RoW conversion
- New applications & range expansion
- Growth of automatic safety
- Regional expansion e.g. China
- New product launches
- Acute to Chronic shift
- New pump introductions
- Greater connectivity
- Infusion sets

New products ... Move to adjacencies ... Regional expansion

How are we going to deliver?



Increased operating efficiency



Accelerated & global product development



Market penetration & expansion

