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**FOR IMMEDIATE RELEASE**

2 August 2021

**SMITHS GROUP PLC**

**Proposed sale of Smiths Medical**

Smiths Group plc (“Smiths” or the “Group”) is pleased to announce that it has entered into an agreement for the sale of Smiths Medical to Trulli Bidco Limited (“Bidco”), a wholly owned subsidiary of funds advised by TA Associates LLP (“TA”) (the “Proposed Transaction”). The Proposed Transaction values Smiths Medical at an enterprise value of \$2.3bn (equivalent to £1.7bn), plus an additional \$0.2bn contingent on future performance of Smiths Medical. The Smiths board (the “Board”) proposes a significant return of capital to shareholders following the successful completion of the Proposed Transaction.

**Highlights**

- Sale of Smiths Medical at an enterprise value of \$2.3bn, plus an additional \$0.2bn contingent on future performance of Smiths Medical
- The Proposed Transaction is superior to all other proposals received during the separation process and is considered a better outcome for shareholders than a demerger
- Smiths expects to receive net cash proceeds on completion of the Proposed Transaction of \$1.8bn (equivalent to £1.3bn), which will be used to support investments in growth and enable a significant return of capital to shareholders
- In order to participate in future value creation, Smiths will also receive a 30% equity interest in Trulli Topco Limited (“Topco”) valued at \$0.2bn, which will be the new holding company of Smiths Medical
- Smiths will consult with major shareholders on the return of proceeds
- TA’s acquisition of Smiths Medical creates a strategic partnership with Smiths to realise the full potential of Smiths Medical, leveraging TA’s significant healthcare expertise and strong track record
- The Proposed Transaction simplifies and positions Smiths for focused growth in its core industrial technology business
- Completion and receipt of the initial cash proceeds are expected by the end of calendar year 2021, subject to approval by Smiths’ shareholders and receipt of other customary regulatory approvals
- The Proposed Transaction is unanimously recommended by the Board to be in the best interests of shareholders

**Paul Keel, CEO, Smiths Group plc, said:**

“This transaction positions Smiths as a more focused industrial technology company with compelling opportunities for growth, a common operating model and shared purpose. Delivering on our commitment to separate, the sale captures immediate value for Smiths’ shareholders and positions us well for further value creation through our retained 30% ownership in Smiths Medical as well as potentially \$0.2bn additional consideration, contingent on future performance.

Smiths Medical is a leader across its markets, with strong brands and technology, although it has not delivered consistently strong financial performance relative to its medtech peers. We look forward to working with TA as a strategic partner in unlocking the potential for this business. I would like to thank everyone at Smiths Medical for their tremendous contributions to the Group and look forward to our continued collaboration.”

**Birker Bahnsen, Managing Director, TA Associates LLP, said:**

“Smiths Medical has an excellent product portfolio with leading positions in its key franchises of infusion systems, vascular access and vital care. Its well-established brands are trusted globally, and we are excited to be working with the management team to build on this strong platform for growth. We see many opportunities for expansion and will invest in technology to build the company’s capabilities and reinforce its leading product portfolio.

We believe that TA is well-positioned as a growth investor to support Smiths Medical in driving innovation and value going forward. Our deep medical device experience, operational knowledge and strong track record of partnering with management teams to accelerate growth, give us confidence that we can help Smiths Medical grow both organically and through acquisitions.”

**JehanZeb Noor, CEO, Smiths Medical, said:**

“Our new ownership structure presents a great opportunity for Smiths Medical, our employees and our customers. We are looking forward to working with TA who have been an active investor in the healthcare industry for more than 30 years and who can help us accelerate our growth, create value for our customers and, most importantly, improve the lives of millions of patients globally.”

### **Investor and analyst briefing**

A conference call for investors and analysts will be held at 10.00am BST on Tuesday 3 August 2021. The presentation to be discussed on the conference call, together with a copy of this announcement, will be available at: [www.smiths.com/investors/results-reports-and-presentations](http://www.smiths.com/investors/results-reports-and-presentations)

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White & Case LLP and Freshfields Bruckhaus Deringer LLP are acting as legal advisers to Smiths in connection with the Proposed Transaction.

### **Notes**

*This summary should be read in conjunction with the full text of this announcement. A circular containing further details of the Proposed Transaction and a notice convening a general meeting of Smiths will be sent to Smiths shareholders as soon as is practicable. Defined terms used in this summary have the meaning given to them in the full text of the announcement.*

### **About Smiths Group**

*Smiths is a global technology company listed on the London Stock Exchange (SMIN) and operates a sponsored level one ADR programme (SMGZY). Its businesses share the same characteristics (technology differentiation; increasing digitisation; sustainably competitive; and a high proportion of recurring revenues generated by aftermarket and services) and a common operating model (The Smiths Excellence System). For more information visit [www.smiths.com](http://www.smiths.com).*

## **Proposed sale of Smiths Medical**

### **Introduction**

Smiths is today announcing that it has entered into an agreement to sell Smiths Medical 2020 Limited, the holding company of its global medical devices business (“Smiths Medical”), to Bidco, a wholly owned subsidiary of funds advised by TA Associates. The Proposed Transaction creates a strategic partnership, working to realise the full potential of Smiths Medical. It values Smiths Medical at an enterprise value of \$2.3bn, plus an additional \$0.2bn contingent on future performance of Smiths Medical.

A circular containing further details of the Proposed Transaction and a notice convening a general meeting of Smiths will be sent to Smiths’ shareholders as soon as is practicable.

### **Background to and reasons for the Proposed Transaction**

On 14 November 2018, Smiths announced its intention to pursue the separation of Smiths Medical in order to create two distinct, more focused companies with independent strategies with a view to optimising shareholder value.

Smiths Medical is a leading global medical device business specialising in infusion systems, vascular access, and vital care. The Board determined that the separation of Smiths Medical would enable Smiths to concentrate on growing as a leading industrial technology group and enable Smiths Medical to focus on realising its full potential in the dynamic medical device market. Since the announcement of the proposed separation, Smiths Medical has been accounted for as a discontinued operation.

On 22 March 2019, Smiths announced its intention to pursue a demerger of Smiths Medical, whilst in parallel continuing to evaluate all opportunities for value maximisation, with the overriding objective of continuing to strengthen both Smiths Medical and the Group. Consistent with this approach and having received a number of offers for Smiths Medical, the Board ran a sale process for Smiths Medical in parallel with demerger preparations. On 31 March 2020, following the onset of the COVID-19 pandemic, the Board decided to delay the separation process until global conditions improved.

On 26 March 2021, with improved external conditions, the Board reaffirmed its commitment to separation. Since this time, Smiths has completed steps necessary to demerge Smiths Medical and also received multiple proposals to acquire Smiths Medical from both strategic and financial sponsor buyers. Smiths has evaluated all options and determined that the Proposed Transaction represents the highest value, greatest certainty of completion, and best structure for both the Group and Smiths Medical. The Board has unanimously recommended the Proposed Transaction as being in the best interests of shareholders. The Proposed Transaction is superior to all other proposals received during the separation process and is considered a better outcome for shareholders than a demerger.

## Principal Terms of the Proposed Transaction

The Proposed Transaction values Smiths Medical at an enterprise value of \$2.3bn. The equity value after expected completion adjustments is \$2.0bn. The expected completion adjustments include (amongst other items) amounts in relation to cash, debt, working capital, lease liabilities, tax liabilities, provisions for restructuring and litigation, expected future investment in Smiths Medical's quality and regulatory function and future payments related to commercial partnerships.

The consideration on completion of the Proposed Transaction comprises:

- Expected net cash proceeds to Smiths of \$1.8bn; and
- Ordinary shares, preferred shares and an A share in Topco, together equivalent to 30% of the share capital of Topco on completion of the Proposed Transaction representing a reinvestment of \$0.2bn.

The A share in Topco to be held by Smiths (the "A Share") will benefit from a preferential distribution right of up to \$0.2bn once TA has received a certain cash return on their investment. Once TA has received investment returns from Topco and members of its group ("Topco Group") equal to a certain multiple of the value of their investment into Topco Group, pari passu distributions between TA and Smiths will be suspended and all further distributions made by Topco Group shall be paid solely to Smiths (via its A Share), up to a cap of \$0.2bn, and only thereafter will proceeds again be distributed to both Smiths and TA on a pari passu basis. In the first two and a half years following completion of the Proposed Transaction, this multiple will be 1.75x. Thereafter, the multiple will be 2.75x. Other than the preferential distribution right attaching to the A Share, the shares in Topco to be held by Smiths shall rank pari passu with the shares in Topco held by TA.

The Proposed Transaction is a Class 1 transaction for Smiths under the UK Listing Rules and is therefore conditional upon the approval of Smiths shareholders. It is also conditional on receipt of certain anti-trust regulatory approvals. The Proposed Transaction will not proceed if such conditions are not satisfied (or waived, where applicable) on or before the date which is 6 months from the date of this announcement.

As is usual in transactions of this nature, the sale and purchase agreement contains obligations on both parties to obtain the required approvals, as well as customary warranties, indemnities and covenants.

As part of the Proposed Transaction, Smiths has agreed the terms of a trademark licence, which grants Smiths Medical the right to use certain trademarks owned by Smiths to manage its transition from compliance with the Medical Devices Directive to the Medical Devices Regulation in the European Union and to otherwise facilitate the continued operation of its business and allow it sufficient time to rebrand. Smiths has also agreed the terms of a transitional services agreement, which will govern the provision of IT services and other operational services between Smiths and Smiths Medical for a transitional period after completion of the Proposed Transaction.

As part of the Proposed Transaction, Smiths and TA have agreed a shareholders' agreement to govern the relationship between Smiths and TA in respect of their holdings in Topco, providing customary protections for Smiths as a minority investor. A majority of the board of directors of Topco will be nominated by TA. Smiths shall have the right to nominate up to two non-executive directors to the Topco board. JehanZeb Noor will remain as CEO of Smiths Medical.

Under the terms of the shareholders' agreement, Smiths' shares in Topco shall be subject to a three-year lock-up and thereafter be subject to customary restrictions on transfer. TA shall have the right to require Smiths to sell all of its shares in Topco at the same time and on the same terms on a future sale by TA of a controlling interest in Topco (a so-called 'drag along' right). Conversely, Smiths shall have the right to require a purchaser of some or all of TA's interest in Topco to acquire a pro-rata number of Smiths' shares in Topco at the same time and on the same terms (a so-called 'tag along' right).

Completion of the Proposed Transaction (and receipt of the initial cash proceeds) is expected by the end of calendar year 2021.

### **Use of Proceeds and Financial Effects of the Proposed Transaction**

The Board intends to balance the use of proceeds between investment in growth and a significant return of capital to shareholders. The retained net cash proceeds will be used to create a strong balance sheet to support investment in value creative growth opportunities. These are predominantly organic opportunities and include the Group's innovative accelerator programmes, which are aligned with long-term trends in sustainability, energy transformation, and safety and security.

The Board is carefully considering the position of the Smiths Industries Pension Scheme and TI Group Pension Scheme (the "Schemes") and in line with good practice, the Group intends to consult with the trustees of the Schemes about the Proposed Transaction.

Smiths will consult with major shareholders on the return of proceeds.

Following completion of the Proposed Transaction, the earnings of the Group will reduce as a result of the Proposed Transaction. It is expected that Smiths' progressive dividend policy will remain unchanged as a result of the Proposed Transaction. Further information on the financial effects of the Proposed Transaction and associated return of capital will be set out in the circular to shareholders.

### **Information on Smiths Medical**

Smiths Medical is a leading manufacturer and supplier of specialist medical equipment and single-use devices, whose purpose is to save and improve the lives of millions of patients globally.

Smiths Medical's products fall into three main segments:

- Infusion Systems: includes products which deliver fluids and medication for pain management and the treatment of acute and chronic diseases for use in both hospital and home settings;
- Vascular Access: includes devices which allow healthcare workers to deliver fluids and medication to patients or to obtain blood samples from patients; and
- Vital Care and Speciality products: comprises devices to manage patients' airways, and systems to maintain patients' body temperature before, during and after surgery.

Smiths Medical has a direct legal presence in 28 countries and sells its products in more than 100 countries. While the US is Smiths Medical's largest single market, with 47 per cent of revenue in the year ended 31 July 2020, Smiths Medical continues to build its presence in developed and emerging markets. Smiths Medical is headquartered in Minneapolis, Minnesota, in the United States.

### **Trading results for Smiths Medical**

The trade, assets and liabilities of Smiths Medical are held by Smiths Medical 2020 Limited, which is an indirect, wholly owned subsidiary of Smiths.

As at 31 July 2020, Smiths Medical 2020 Limited and its subsidiaries (the "Smiths Medical Group") had consolidated net assets of £984m (equivalent to \$1,289m) and consolidated gross assets of £1,279m (equivalent to \$1,675m). In the financial year ended 31 July 2020, Smiths Medical generated revenues of £918m (equivalent to \$1,158m) and headline EBITDA of £184m (equivalent to \$232m).

As at 31 January 2021, the Smiths Medical Group had consolidated net assets of £994m (equivalent to \$1,362m) and consolidated gross assets of £1,251m (equivalent to \$1,715m). In the first half of Smiths' current financial year ended 31 January 2021, Smiths Medical generated revenues of £427m (equivalent to \$565m). Headline EBITDA was £89m (equivalent to \$118m). For the 12 months ended 31 January 2021, Smiths Medical generated revenues of £911m (equivalent to \$1,171m) and headline EBITDA of £179m (equivalent to \$231m).

### **Information on TA Associates**

TA Associates ("TA") is a leading global growth private equity firm. Focused on targeted sectors within five industries – technology, healthcare, financial services, consumer and business services – the firm invests in profitable, growing companies with opportunities for sustained growth, and has invested in more than 535 companies around the world. TA employs a long-term approach, utilising its strategic resources to help management teams build lasting value in high-quality growth companies. TA has raised \$47.5 billion in capital since its founding in 1968 and is committing to new investments at the pace of over \$3 billion per year. The firm's more than 100 investment professionals are based in Boston, Menlo Park, London, Mumbai and Hong Kong.

TA has been an active investor in the healthcare industry for more than 30 years. The firm's global healthcare franchise spans pharmaceutical services, payor services and specialty managed care, medical devices, physician groups and facilities, healthcare IT and diagnostic laboratories. During its history, TA has completed more than 70 healthcare investments, six

of which are in medical device companies in Europe, including Alma Lasers, Amann Girrbach, Biocomposites, MIS Implants Technologies, PhysiOL and Vivacy.

### **Summary of information on the Group and future strategy**

Following completion of the Proposed Transaction, the Group will be a more focused industrial technology group united by a shared purpose, business characteristics and a common operating model. The Group actively manages its portfolio of businesses to ensure that they are targeted in growing markets where they can achieve a sustainable leading position. Smiths' businesses share the same characteristics: technology differentiation; increasing digitisation; sustainably competitive; and a high proportion of recurring revenues generated by aftermarket and services. Smiths drives sustained competitive advantage through focused deployment of innovation and investment and relentless performance execution through its shared operating model, the Smiths Excellence System. The Group expects to benefit from applying an integrated approach to technology development, especially digital innovation, where Smiths' businesses can share and apply common solutions. This is underpinned by a strong financial framework that allows the Group to generate profitable revenue growth and superior returns.

The Group's continuing businesses are:

- (a) *John Crane*: rotating equipment solutions, including mechanical seals and systems, couplings, filtration systems and predictive digital monitoring technologies to enhance efficiency and reduce emissions for global process industries;
- (b) *Smiths Detection*: detection and screening technologies which protect people and assets, thereby supporting safety, security and freedom of movement across a broad range of markets including aviation, ports & borders, defence and urban security;
- (c) *Flex-Tek*: engineered components which heat and move fluids and gases for the aerospace, medical, industrial, construction and domestic appliance markets; and
- (d) *Smiths Interconnect*: technically differentiated electronic components, subsystems, microwave and radio frequency products which provide secure connectivity for critical applications in the defence, aerospace, communications and industrial markets.

Following the recent appointment of Paul Keel as the Group's CEO, the Group's future strategy is currently under review. We look forward to updating the market on the Group's revised strategy and priorities at a capital markets day in November 2021.

### **Current trading for the Group**

The Group remains confident of meeting its expectations for the full year. This reflects the Group's robust first half performance and, as expected, improving second half trends. The Group's performance is underpinned by the incremental benefits of its strategic restructuring

programme, which is on track, supporting further good profit conversion with strong cash conversion.

### **IMPORTANT NOTICES**

*This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of Smiths Group plc is Matthew Whyte, Company Secretary.*

#### **Enterprise Value**

*Throughout the announcement, the enterprise value of Smiths Medical is stated on a debt free, cash free basis and before taking into account: (i) Smiths Group's reinvestment in Smiths Medical pursuant to the Proposed Transaction; (ii) any adjustments required under the terms of the Proposed Transaction; (iii) tax; and (iv) associated transaction costs.*

#### **Exchange Rates**

*In this announcement: (i) references to "£" or "GBP" are to the lawful currency of the United Kingdom; and (ii) references to "\$" or "USD" are to the lawful currency of the United States of America.*

*The sale proceeds received by Smiths under the terms of the Proposed Transaction will be received in USD (\$). Equivalents have been presented in GBP (£) in this announcement for illustrative purposes using a rate of \$1.39:£1.00 based on the average daily closing rate from Monday 26 July to Friday 30 July 2021.*

*The trading results for Smiths Medical have been presented in GBP (£) and for illustrative purposes the USD (\$) equivalents have been provided using the historical average exchange rates at the time the results were reported. These were: \$1.25:£1.00 for H2'20, \$1.26:£1.00 for FY'20 and \$1.32:£1.00 for H1'21.*

*The numbers for Smiths Medical's balance sheet (gross assets and net assets) have been presented in GBP (£) and for illustrative purposes the USD (\$) equivalents have been provided using the historical closing exchange rates at the time the results were reported. These were \$1.31:£1.00 as at 31 July 2020 and \$1.37:£1.00 as at 31 January 2021.*

#### **Non-IFRS Measures**

*The Group uses alternative performance measures ("APMs"), which are not defined or specified under the International Financial Reporting Standards ("IFRS") or any other internationally recognised generally accepted accounting principles, to gauge business performance. APMs are not considered to be a substitute for IFRS measures but do provide additional, helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide comparable information across the Group.*

*These performance measures may not be comparable to other similarly titled measures as reported by other companies, as other companies may calculate these measures differently than the Group does; and these measures may not be permitted to appear on the face of the primary financial statements, or footnotes thereto, and in some cases, may not be permitted at all, in US filings made to the SEC. These performance measures have limitations as analytical tools, and none of these measures should be considered in isolation, or as a substitute for analysis of the Group's operating results, including its income statements and cash flow statements, as reported under IFRS.*

#### **Rounding**

*Certain figures included in this announcement have been subject to rounding adjustments.*

**Forward Looking Statements**

*This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "projects", "should" or "will", or, in each case, their negative or other variations or comparable terminology, "targets", "aims", "forecasts" or by discussions of strategy, plans, objectives, goals, future events or intentions.*

*These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding Smiths' intentions, beliefs or current expectations concerning, among other things, the Group, results of operations, financial condition, liquidity, prospects, growth and strategies of the Group and Smiths Medical.*

*By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of operations of the Group and Smiths Medical, and the developments of the markets and the industries in which they operate, may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations of the Group and Smiths Medical and the developments of the markets and the industries in which they operate are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, changes in law and regulation, currency fluctuations, changes in business strategy and political and economic uncertainty.*

*Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this announcement reflect Smiths' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's business, results of operations, financial condition, prospects, growth and strategies.*

*Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Regulation Rules, the Market Abuse Regulation (EU No. 596/2014) and the Market Abuse Regulation (EU No. 596/2014) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018), Smiths is not under any obligation and Smiths expressly disclaims any intention or obligation (to the maximum extent permitted by law) to update or revise any forward-looking statements in this announcement, whether as a result of new information, future events or otherwise. Neither Smiths nor any of its directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place any undue reliance on these forward-looking statements, which speak only as at the date of this announcement.*

**No profit forecast or estimates**

*Unless otherwise stated, no statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings, earnings per Smiths share or income, cash flow from operations or free cash flow for the Group or Smiths Medical, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per Smiths share or income, cash flow from operations or free cash flow for the Group or Smiths Medical, as appropriate.*

**Cautionary statement**

*This announcement is not intended to, and does not constitute or form part of, any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security or a solicitation of any vote or approval, in any jurisdiction. Smiths' shareholders*

*are advised to read carefully the formal documentation in relation to the Proposed Transaction once it has been despatched. Any response to the Proposed Transaction should be made only on the basis of the information in the formal documentation to follow.*

*The release, publication or distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, any applicable requirements. Any failure to comply with these requirements or restrictions may constitute a violation of the securities laws or regulations of any such jurisdiction. This announcement has been prepared for the purposes of complying with English law and the UK Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.*

***Important information relating to the joint financial advisers and joint sponsors***

*Goldman Sachs International (“Goldman Sachs”), which is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA in the United Kingdom, is acting exclusively as joint sponsor and joint financial adviser to Smiths and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Smiths for providing the protections afforded to clients of Goldman Sachs nor for giving advice in connection with the matters set out in this announcement or any transaction, arrangement or other matter referred to in this announcement.*

*J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove (“J.P. Morgan Cazenove”), is authorised in the United Kingdom by the PRA and regulated by the FCA and the PRA. J.P. Morgan Cazenove is acting exclusively as joint sponsor and joint financial adviser to Smiths and no one else in connection with the Proposed Transaction and will not regard any other person as its client in relation to the Proposed Transaction and will not be responsible to anyone other than Smiths for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to the Proposed Transaction or any matter referred to herein.*

*Gleacher Shacklock LLP (“Gleacher Shacklock”), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as joint financial adviser to Smiths and for no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Smiths for providing the protections afforded to clients of Gleacher Shacklock nor for providing advice in connection with the matters set out in this announcement or any transaction, arrangement or other matter referred to in this announcement.*

*Smiths Group plc’s LEI number is: 213800MJL6IPZS3ASA11*