

INTERIM RESULTS 2010/11

FULL TRANSCRIPT

SLIDE – INTERIM RESULTS 2010/11

SLIDE – CAUTIONARY STATEMENT

SLIDE – PHILIP BOWMAN

Ladies and gentlemen, good morning and welcome to the interim results presentation for Smiths Group. To avoid interference with the sound system could I ask you to check that your mobile phones and your BlackBerries have been turned off.

Peter Turner, our Finance Director, is alongside me and the divisional general managers and a number of members of the corporate team are seated in the front row and around the audience and they will join Peter and me in answering questions at the end of the session.

I'd like to start by giving a brief overview of the results and some of the key achievements of the past six months before asking Peter to present the detailed financials. Later I'll review the operational progress in each of our divisions and then set our priorities for the rest of the year.

SLIDE – BUSINESS HIGHLIGHTS

Turning then to the interim results, with half-year margins at new highs these results

again demonstrate the benefits of our self-help initiatives and operational improvements across the group. They have been achieved against the backdrop of a still fragile economic condition. In line with my guidance last September we have enhanced our focus on top line growth to increased investment in product development, sales and marketing and expansion into emerging markets.

Reported revenues grew 7%, helped by organic growth, a £27 million benefit from the acquisitions, mainly IDI, and currency translation. On an underlying basis sales were 2% higher, driven by strong growth in John Crane, Interconnect and Flex-Tek partly offset by lower sales in Detection and in Smiths Medical.

Headline operating profit rose 15% with underlying profit up 9%, reflecting greater sales volumes, better pricing and the continuing benefits of our restructuring programmes. Margins rose by 120 basis points to 17.4%. We continued to generate strong cash flows from four of the five businesses; however a strong order book in Smiths Detection required us to invest an additional £32 million in working capital to support second half deliveries. As a result cash conversion was reduced overall to 78%. This is a timing issue which we expect to be reversed, at least in part, in the second half of the year although ultimately the extent of this reversal will be influenced by the shape of the Detection order book as it develops over the coming months.

Having reached our target dividend cover of 2.5 times the board, as trailed at the end of last fiscal year, has adopted a progressive dividend policy for future payouts, subject to maintaining at least the level of cover of 2.5 times. The interim dividend is 11.25 pence per share, which is a 7% increase over the corresponding dividend last year.

Our focus on margin improvement and a disciplined approach to capital allocation has again delivered a significant improvement in return on capital, up 240 basis points to 17.3%.

SLIDE – OPERATIONAL HIGHLIGHTS

We continued to make good progress against the priorities I first set out 2½ years ago. Product development generates future growth in a technology-based business like Smiths and we continue to increase our investment in research and development, up 14% to £49 million in the half year. This enhanced investment and the launch of new products supported by strengthened sales and marketing is now starting to deliver revenue benefits and positions us well for further growth.

Our portfolio and geographic presence has been extended and is beginning to support enhanced growth opportunities in emerging markets. We established a direct sales presence in India for both Detection and Medical and in addition the two recent Interconnect acquisitions are now fully integrated and performing well.

Our major restructuring programme delivered further savings of £6 million in the period and to date we have generated savings of £45 million against our target of £70 million when all announced initiatives are completed in 2013.

We also continued to leverage the improved data available from our investment in ERP systems and this has helped identify opportunities to improve pricing, re-engineer products to cut manufacturing costs and transition customers to alternative products. Better data, combined with the group's scale, have also driven more effective

procurement. These procurement savings, along with pricing initiatives, have more than offset rising input cost inflation.

SLIDE – PRIMARY FOCUS ON SAFETY IS DELIVERING IMPROVEMENTS

As I have highlighted at previous presentations we believe that providing a safe working environment should be a key priority within all our facilities. Health and safety remains high on the agenda at meetings across Smiths and this degree of focus has helped us to make good progress in recent years. Over the past six months recordable and lost time incident rates have again fallen. While many of the easier opportunities for improvement have already been taken and it becomes more difficult and challenging to make significant advances, our focus on root cause analysis and greater use of predictive indicators will allow us to make further improvements.

So with that brief overview I'd like to hand over now to Peter who will take you through the detailed financial information. Peter.

SLIDE – PETER TURNER

Thanks Philip, and good morning.

SLIDE – INTERIM RESULTS 2011

There are four aspects of the first half results that I'd like to highlight today:

- First is the sales growth, which has benefited from organic growth in John Crane, Smiths Interconnect and Flex-Tek as well as the contribution from last year's

acquisitions.

- Second, the continued improvement in margins, driven by the ongoing efficiency savings.
- Third, the underlying cash story is strong if we take into account the additional working capital investment for Smiths Detection and;
- Fourth, the significant improvement in the group's return on capital employed.

Let me start by reviewing some of the key financial numbers. Sales at £1.37 billion were up 7% on the prior period, of which translation gains were 3% or £36 million. Good performance of our acquisitions, in particular IDI, contributed 2% or £27 million and underlying sales rose £30 million or 2%.

Headline operating profit at £239 million was up 15% or £32 million with £7 million coming from currency translation and £6 million from acquisitions. The underlying headline operating profit was 9% up on the back of higher volumes, better pricing and the benefit of cost savings.

Headline pre-tax profit increased 25% to £224 million which also benefited from an increased pension financing credit of £12 million. As previously guided the headline tax rate rose to 26% as a result of increased profitability, particularly in the US where there are higher corporation tax rates. However this was mitigated in part by the favourable conclusion of recent tax audits.

Headline earnings per share grew 21% to 42.1 pence.

SLIDE – PROFIT PROGRESSION 2010 TO 2011

Looking at the progression in headline profit before tax between the two periods you can see that better volumes pushed up profit by £9 million. This was primarily in John Crane, Interconnect and Flex-Tek offset by volume declines in Detection and Medical.

We also achieved pricing benefits of £9 million driven by the aftermarket in John Crane and by the recovery of input cost inflation in Flex-Tek. However, partly offsetting this, we did experience an adverse mix from the rapid growth in slightly lower margin areas, such as the upstream production solutions part of John Crane, and from growth in certain Interconnect programmes.

As signalled at year-end we have also increased our investment in sales and marketing and R&D to drive new product development. Manufacturing improvements such as value engineering and site rationalisation contributed £8 million to the profit growth.

Incremental profit from our acquisitions last year, IDI and Channel Microwave, was £5 million net of finance costs. These results also received a £9 million boost in foreign exchange impacts with £7 million from translation and £2 million from transaction FX.

Increased pension financing credit and slightly lower debt finance charge gave a £14 million benefit and resulted in a pre-tax profit of £224 million.

During the period the average exchange rate for the US dollar strengthened against sterling by 4% whilst the euro weakened by 5%. Let me remind you that a 1 cent move in the US dollar has an effect on profit of just over £1.5 million. The euro has an impact

of just under £1 million for every cent movement.

I'd now like to look at the financial performance of each division before handing over to Philip to give further colour on the operational performance.

SLIDE – SMITHS DETECTION: VARIABLE ORDER FLOW AFFECTING SALES AND MARGINS

Starting with Smiths Detection, reported sales fell 7% to £248 million. On an underlying basis sales declined 9%, reflecting lower sales in military and ports and borders. As outlined previously some large orders from various government agencies have been delayed and military sales will be weighted towards the second half.

Underlying profit fell 11% primarily reflecting £13 million of lower volumes and associated costs under recovery in our operations. We benefited from lower overheads by £8 million, resulting in headline operating profit of £34 million.

SLIDE – JOHN CRANE: VOLUMES AND PRICE DRIVING MARGIN EXPANSION

Moving to John Crane, sales growth has been strong with underlying sales up 12% driven by growth in aftermarket services particularly the oil and gas sector as well as improvements in first fit OEM sales.

On an underlying basis headline operating profit grew 18% to £79 million. The better volumes and associated operational gearing increased profit by £18 million. Pricing initiatives, particularly for aftermarket services, contributed £6 million. However the strong growth in the upstream energy services business, which is slightly lower margin,

contributed £3 million of adverse mix.

We continued to see savings from restructuring benefits, although these were more than offset by increased investment in sales and marketing in order to drive higher sales growth. This resulted in net cost of £7 million.

SLIDE – SMITHS MEDICAL: EFFICIENCIES DELIVER MARGIN IMPROVEMENTS

Smiths Medical saw reported sales 1% higher at £413 million and headline operating profit up 9% at £94 million. I was particularly pleased with its margin performance which improved 170 basis points to 22.6%.

Underlying sales were down 2% reflecting the tough trading environment, particularly in safety devices and vital care products. Sales were also affected by the exit from diabetes by £2 million and from the ongoing effect of SKU rationalisation. However this initiative had a positive effect on margins and pricing.

Headline operating profit rose £8 million, the drop in volumes reduced profit by £6 million, better pricing coupled with the mixed benefit from increased sale of infusion pumps added £2 million. We increased our investment in new product development by £2 million while a range of operational efficiency measures contributed £8 million to profit. Foreign currency gains contributed a further £6 million.

SLIDE – SMITHS INTERCONNECT: HIGHER VOLUMES DELIVER MARGIN GAINS

The Interconnect margin has improved 210 basis points to 18.1%, benefiting from higher volumes, restructuring initiatives and the acquisition of IDI. Reported sales at £186 million are up 28% or £40 million. This is driven by acquisitions of £26 million and currency translation of £4 million. Underlying sales were up £10 million or 7%.

The higher volumes were generated across all segments but particularly from connector sales to the rail, medication, automation and test markets and recent contract wins in the military and aerospace sector have elements on which we receive a pass-through margin which caused an adverse mix of £3 million.

Restructuring and other cost saving initiatives have delivered £1 million of additional profit, for example procurement savings are more than offsetting input cost inflation.

The acquisitions of IDI and Channel Microwave have now been integrated and added £6 million.

SLIDE – FLEX-TEK: VOLUMES AND PRICING OFFSET INFLATION PRESSURES TO GROW MARGINS

Finally, Flex-Tek. Reported sales rose 12% to £107 million or 8% on an underlying basis. Flex-Tek saw an improvement across nearly all of its end markets and made great progress on margins up 180 basis points to 11.6%.

Headline operating profit was ahead 32% or £3 million, the better volumes contributing £3 million whilst pricing improvements generated £2 million of incremental profit.

However raw material inflation, particularly nickel, fibreglass and stainless steel, caused an adverse impact of £3 million.

We have continued to benefit from a relentless focus on restructuring and other operational efficiencies which supported another £1 million of profit.

SLIDE – DELIVERING IMPROVED RETURNS ON CAPITAL

In September we reported for the first time the return on capital employed for each division. This is calculated over a rolling 12-month period and is the percentage that headline operating profit comprises of monthly average capital employed. This chart shows the return on capital for the 12-month period to the end of January for 2010 and 2011.

You will see that we have made good progress across the group with advances in all divisions except Smiths Interconnect which remained in line with last year.

Interconnect's return was a good result with a significant capital investment in IDI in April last year. This reflects the strong margins in IDI and the performance of Interconnect overall.

Smiths Detection's returns improved despite the lower profit performance in this half because this measure includes the benefit from the strong results in the second half of last year.

We have consistently delivered returns ahead of our cost of capital and this reinforces the potential we have for attractive investment opportunities to drive growth in

returns for shareholders.

SLIDE- RECONCILIATION: HEADLINE OPERATING PROFIT / STATUTORY PROFIT

Let me now move to the reconciliation of headline operating profit for the statutory numbers. The key differences between headline operating profit and statutory are exceptional items and the amortisation of acquired intangibles.

Starting with the exceptionals which amounted to a charge of £8 million in the period:

- The £5 million restructuring charge was the continuation of the programme announced in 2008. I'll say more about this in a moment.
- There was also a £2 million charge relating to John Crane asbestos litigation. This comprises £500,000 for legal fees in connection with litigation against insurers and just under £2 million for the adverse judgments legal provision. As you know this adverse judgment provision takes a rolling ten-year view and the charge includes the addition of a further six months.
- As you know acquisition costs now have to be charged to profit under IFRS 3.

The amortisation of acquired intangible assets of £22 million is slightly higher than last year, reflecting the impact of recent acquisitions.

SLIDE – EXCEPTIONAL ITEMS: RESTRUCTURING PROGRAMME DELIVERING BENEFITS

Now moving to the restructuring programme, we have continued to make good progress with more benefits to come. Looking at the bottom of the table here you will see that we generated £6 million of savings in the period. This brings the annualised savings to £45

million against our target of £70 million. If you recall we extended the original £50 million programme by identifying a further £20 million tranche of savings identified here as Phase 2.

Looking to the second half we expect a further benefit of around £8 million along with about £12 million of costs which we treated as an exceptional item.

SLIDE – CASH CONVERSION: INVESTMENT IN WORKING CAPITAL FOR DETECTION

As Philip mentioned cash conversion has continued to be strong. The main movement is from working capital, as you can see we have a £68 million outflow of which £32 million is investment to support second half deliveries in Smiths Detection.

This resulted in a headline operating cash flow of £186 million, a conversion rate of 78% Of headline operating profit. If we exclude the additional investment in Detection the Cash conversion would have been 91%. Volume movements in the other divisions Accounted in large part for the other investment in net working capital in line with the guidance we gave at the year-end.

Cash generation remains a key priority for the group and we are focused on delivering improved cash generation at the full year.

SLIDE – NET DEBT INCREASED £43M DRIVEN BY WORKING CAPITAL AND DIVIDENDS

The lower operating cash combined with slightly higher cash spend on interest, tax and exceptionals resulted in a free cash flow of £70 million compared with £133 million reported last year.

Dividends at £92 million were in line with last year which, along with the other items, resulted in an increase in net debt of £43 million to £880 million.

Looking to the full year I expect that the year-end net debt will be around £800 million, assuming current exchange rates and before any additional acquisition activity as we deliver improved cash conversion in the second half.

SLIDE – PENSIONS: DEFICIT REDUCED TO £119M, HELPED BY IMPROVED ASSET RETURNS

Turning to pensions, you will see the net pension deficit has fallen by £186 million to £119 million. This has been driven primarily by a strong asset performance which, combined with the contributions, has more than offset the change in liability which were driven by slightly lower UK bond rates.

Just to remind you, the finance income credit for the full year is expected to be around £24 million. I also want to signal that as of next financial year we intend to exclude this item from our headline pre-tax profit to give a clearer picture of our underlying performance. We also know that a number of analysts are already stripping this number out.

In line with previous guidance for the year we estimate scheme contributions will be around £65 million.

SLIDE – STRONG BALANCE SHEET SUPPORTS INVESTMENT IN GROWTH

Finally, we have a strong balance sheet which supports our investment plans. Over the past two years or so we have refinanced all of our debt facilities. This has extended the maturity profile and reduced our level of bank debt.

Most recently, in December, we have refinanced our revolving credit facility with a new \$800 million five-year facility, which is currently undrawn.

The other development in the period was that both rating agencies confirmed their ratings for Smiths Group, whilst revising their outlook from negative to stable.

SLIDE – FINANCIALS: CONCLUSION

In conclusion, there are four key messages that I'd like to highlight from today's results:

- First is the sales growth that we have achieved, both from organic growth and from our bolt-on acquisitions.
- Second is the continued progress we have made on expanding margins through our self-help initiatives and there is more to come from these programmes.
- Third is the driving of our cash performance continues to be a priority.
- Fourth is the significant improvement in returns on capital employed. We have a portfolio of attractive businesses to invest in and a strong balance sheet to support our plans.

So all in all a healthy platform for driving future growth in returns and with that I'd like to hand back to Philip for his operational review of divisional performance. Philip.

SLIDE – PHILIP BOWMAN

Thank you very much, Peter. I thought for the first time in several presentations I would take the opportunity to reiterate the attractive investment proposition offered by Smiths Group and to summarise where we can generate value for shareholders over time. We measure this through four key metrics, sales growth, margins, cash generation and return on capital.

Starting with sales growth, our businesses are typically exposed to markets with longer term growth characteristics. Furthermore, we have significant opportunities to invest in future growth drivers such as new product development, network expansion or through making complementary acquisitions.

In margins, another key strength is our technology platform. Combined with an intimate knowledge of our customers' needs and high service levels this allows us to commercialise our technology for competitive advantage. This in turn enables our businesses to deliver their intrinsically high margins.

In addition over the past three years we have been able to increase these margins still further through our self-help programme and focus on operational efficiency. While there remain more opportunities to make further efficiency gains over the next several years, whether by reducing costs or by better leveraging our information systems, we

will continue to reinvest some of these savings to drive further long term revenue growth.

SLIDE – CREATING SHAREHOLDER VALUE THROUGH LONG-TERM PROFITABLE GROWTH

Looking at cash, our businesses also tend to generate strong cash flows and have relatively low capital investment requirements. We have successfully improved the cash generation characteristics of the company, and maintaining this remains a key objective.

In September we indicated that having delivered a step-change in cash conversion we expected this to fall to closer to 90% as the businesses resumed growth. However as mentioned earlier we decided to reinvest in working capital to support Smiths Detection's order book for the second half. Without this additional investment, as Peter mentioned, our operating cash conversion would have been 91% in the half year.

The businesses also generate attractive returns above the cost of capital. We can generate value by investing in these businesses and through the disciplined allocation of capital between them.

I firmly believe that there are still considerable opportunities for operational improvement throughout the Smiths Group. We are committed to delivering these in order to improve returns for shareholders and at the same time these results show just how our attention is turning increasingly towards delivering sustainable top line growth while continuing to enhance margins.

I'll now move on to discuss the operational developments in each of the divisions starting with Smiths Detection.

SLIDE – SMITHS DETECTION: VARIABLE ORDER FLOW HAS AFFECTED SALES

Underlying sales decreased by 9%. As previously signalled this reflects the variable order flow of what is largely a government-contracting business. Exact forecasting of revenues and profits is far from easy, given we are often unable to control delivery dates or the timing of acceptance tests of new installations. Sales decline in the half year was driven primarily by the timing of military programmes and lower shipments in the ports and borders sector, partly offset by good growth in critical infrastructure installations.

Underlying revenues in transportation declined slightly due to order delays, however we secured several large airport security contracts in the US and Canada, among other markets. Looking ahead, we are well positioned for when the EU begins easing the liquids ban for hand baggage next month, initially for transit passengers only. Our advanced X-ray scanner, aTiX, has been certified for liquid detection.

In aviation security the ink cartridge bomb last October has delayed orders while authorities review cargo security regulations. In the longer term we are well placed to support the emerging new regulations with 16 different X-ray machines and other technologies on the TSA's approved technology list.

Sales in ports and borders fell 16%, largely through delays in anticipated orders as pressure on government budgets continued. However the order book this half year is

strong compared to previous years indicating a significant pick-up in activity.

Our military business saw underlying revenues fall 39% as US military spending reverted to more normal levels after the supplemental appropriations for Iraq and Afghanistan were reduced. The cyclical transition between mature and new military programmes added to the slow down ahead of a switch to the new generation of advanced chemical and biological threat detectors.

SLIDE – SMITHS DETECTION: INVESTING IN FUTURE GROWTH THROUGH NEW PRODUCTS

Strong investments in research and development have helped Smiths Detection stay at the cutting edge of technology. Company-funded investment rose 9% to £17 million or 7% of sales. Customer-funded projects brought total spend in the six months to £21 million.

Our arrangement with Analogic to develop the next generation of high-speed systems of screen-checked airport baggage is progressing well. All interim milestones have been met in integrating their CT gantry technology with our multi-view X-ray system to produce a scanner that combines the strength of both these technologies.

Our diagnostics development work continues, the primary focus being our relationship with Novartis Diagnostic. This programme leverages our expertise in DNA analysis, pathogen identification and instrument design with the clinical trials capacity and global market reach of Novartis.

Our echo millimetre wave body scanner, now fully operational in a few airports, has passed the laboratory trials with the TSA and will be deployed at some US airports in the coming months for field trials. We are making good progress in developing automatic threat recognition software to address the privacy concerns common to all body imaging systems.

SLIDE – SMITHS DETECTION: OPERATIONAL PRIORITIES

Looking ahead, the operational priorities for Smiths Detection remain:

- to maintain technical leadership through investment in research and development,
- to deliver the key milestones on new product development such as automatic threat detection for echo privacy upgrades and the new checked baggage scanner,
- and to drive further benefit from the investment in ERP and further streamline global manufacturing and logistics processes.

After a slow start to the year Smiths Detection has built a strong order book in transportation and in ports and borders which supports an improved second half. The launch of the new generation of chemical detectors will drive demand in the military sector. However government finances do remain under great pressure which may continue to affect the timing and profile of some orders.

SLIDE – JOHN CRANE: DELIVERING SALES GROWTH, IMPROVING MARGINS AND RETURNS

Turning now to John Crane, John Crane's margins improved 110 basis points to 19% on the back of an underlying 12% rise in revenues, improved pricing on aftermarket sales and further cost savings from our restructuring programme.

Aftermarket sales grew 17%, driven primarily by the oil and gas sector with particular support from our upstream energy services business, John Crane Production Solutions, which doubled its sales. Locating equipment sales such as seals and bearings rose 8% with growth across the board particularly in oil and gas.

First fit original equipment sales grew 4% as customers stepped up their investment in new capital projects, particularly in the Middle East, in Latin America, China and Australia. However the level of bid re-tendering has increased due to the resumption of delayed projects and this has created some pricing pressure on OEM sales.

SLIDE – JOHN CRANE: INVESTING IN FUTURE GROWTH

We have continued to invest in future growth, particularly in emerging markets, where our expanded global support network will help us to capitalise on new growth opportunities. Our service network has been further strengthened by a new manufacturing and service centre in Saudi Arabia and an expansion of our Dubai facility will be completed in the second half of this year.

We have also sought to expand our product offering into new markets. A new Indofil filtration systems plant opened in Texas and production of the Safematic product line has started in China to meet the demands from key pulp and paper customers in the region.

SLIDE – JOHN CRANE: OPERATIONAL PRIORITIES

John Crane's priorities for the second half are:

- continued investment and expansion in the service centre network, particularly in emerging markets where growth opportunities can be maximised,
- to complete the restructuring programme which should deliver £25 million in annualised savings
- and to leverage the improved data from the new ERP system and progressively move to further harmonise processes in the USA and the rest of the world.

John Crane has a strong order book which will support sales growth for the full year, although the rate of growth is likely to ease into the second half when measured against the stronger comparator period. Margins will continue to benefit from higher volumes and from the cost saving initiatives still to be delivered in the second half.

In common with the other businesses we will continue to reinvest some of these benefits in longer term growth opportunities as markets continue to improve. We also expect some continued pricing pressure on first fit OEM projects and an adverse mix effect as sales growth in first fit OEM accelerates, however securing these OEM projects will help drive aftermarket sales over the medium and long term.

SLIDE – SMITHS MEDICAL: DELIVERING MARGIN GROWTH IN A CHALLENGING MARKET

Turning to Smiths Medical, underlying sales declined 2% or £9 million, of which £2 million related to the exit from the diabetes market. The rest of the decline was driven primarily by a slowdown in the safety devices and vital care segments which offset good growth in medication delivery. Despite the lower sales, profit grew and margin increased by 170 basis points to 22.6%. Our focus on portfolio profitability resulted in some further SKU rationalisation which lowered sales but improved overall margins.

The profit and margin growth were achieved despite a tough operating environment for medical device companies. Smiths Medical has still to benefit fully from its ongoing initiatives to improve sales effectiveness and operational performance. While the long term outlook remains attractive there are still some short term headwinds. The US and European markets were particularly challenging given their maturity and the added pressures of a lower number of procedures. This was due in part to higher unemployment and reduced insurance cover combined with healthcare cost reform and constraints over hospital budgets.

In Medicare delivery revenues rose 4% from increased sales of our marketing leading CADD®-Solis ambulatory smart pumps and continued robust sales of our Medfusion® syringe pumps. Vital care revenues fell 2%, primarily due to the weaker flu season and a continued squeeze on healthcare expenditure in some European markets. Sales of our kitting products in Germany also declined significantly as we discontinued unprofitable SKUs. However our tracheotomy business performed well, benefiting from recent new product introductions.

Underlying sales of safety devices fell by 6% as competition intensified and demand fell sharply against the H1N1 vaccination programme in the previous fiscal year. Although trading conditions remain tough, interest in safety products remains high. In May 2010 the EU Commission adopted a directive aimed at reducing sharps injuries amongst healthcare workers and this is finally beginning to show signs of opening up new market opportunities within Europe.

SLIDE – SMITHS MEDICAL: INVESTING IN GROWTH OPPORTUNITIES

We continue to invest in sales and marketing, particularly in customer-facing resources. Our new global sales structure and recent investments in sales training tools are improving both the effectiveness of our selling efforts and our ability to systematically identify major opportunities.

Emerging markets, which now account for some 10% of our sales, are also a priority. Earlier this year we established a direct sales and marketing facility to serve India, building on our long-established distributor presence there. We are also continuing to invest heavily in our China sales force to enhance our presence and to sustain our rapid growth in this important market.

We increased our investment in new product development by 12% to £16 million or 3% of sales. Whilst our increased investment over the past two years has supported an increased number of new product launches, new product approval processes from the Federal Drug Administration have caused recent delays to US launches.

We successfully launched Medfusion® 4000 in Canada with introduction into other

markets to follow shortly. This platform adds wireless capability to our strong syringe pump platform supported by medication safety software. In addition we recently introduced the CADD®-Solis VIP in Canada which extends this ambulatory platform into the non-hospital and homecare markets.

SLIDE – SMITHS MEDICAL: OPERATIONAL PRIORITIES

Looking to the second half our focus is:

- to capitalise on opportunities generated by the new global organisations in sales and marketing and in life cycle product management,
- increasing investment in new product development and the launch of new products specifically targeted at emerging markets
- and delivering further operational efficiencies to support the increase in funding for research and development and sales and marketing over the longer term.

With opportunities for operational improvement already identified the long term outlook for Smiths Medical remains attractive, however we expect continued challenges in developed markets in the short to medium term as squeezed healthcare budgets and unemployment continue to constrain price and volumes. We will seek to drive sales via new product introductions in the second half and into next year. A greater emphasis on customer-facing resources will also improve sales effectiveness, particularly in emerging markets. Margins should also benefit from further opportunities to drive operational improvements. Some of these savings will be reinvested in sales and marketing and additional spend on new product development to accelerate longer term growth.

SLIDE – SMITHS INTERCONNECT: DELIVERING GROWTH ACROSS ALL MARKETS

Next, Smiths Interconnect. Underlying sales rose 7%, reflecting growth across all its market segments. Reported revenues increased by 28%, reflecting the positive impact of acquisitions, particularly of IDI. Margins also improved, up 210 basis points to 18.1%.

The sales momentum from the second half of last year was maintained in military and aerospace despite a headwind in the defence market. Underlying revenues rose 3% as strong demand for our connector, antenna systems and surge protection capabilities offset a slowdown in microwave components and sub-systems.

In commercial aerospace, our KuStream broadband satellite antenna system is now installed on over 70 aircraft and this system has been selected by two other airlines and is undergoing trials with several others.

The military market has become more challenging as the period progressed. The combination of the continuing resolution and the withdrawal of troops from Iraq and Afghanistan has delayed upgrade programmes for the counter-IED systems that use our microwave technology. However demand in our particular areas of focus remained relatively robust and we won several new contracts to support various military programmes.

Underlying sales in wireless rose 2% as infrastructure spend began to focus on new technology deployments in a few specific networks, 4G in the US and 3G in India. Sales of test equipment continued to gain traction and new contract wins included our

first orders in India and China.

Underlying revenues in rail, medical, automation and test rose 24% with strong demand for our high reliability connectors in a range of medical applications. While rail remains stable, test and industrial markets saw strong growth.

SLIDE – SMITHS INTERCONNECT: INVESTING IN GROWTH DRIVERS

The integration of IDI is now complete and the business is performing well. The acquisition extends our geographic reach and IDI has already secured a major connectors contract for a European radar system. Its consolidated Asian sales organisation is also driving growth across our range of connector capabilities, particularly in China.

Product development is the lifeblood of Interconnect's technology. Company-funded R&D, boosted by the integration of IDI, was up 31% to £10 million. We also combined several of our microwave telecommunication businesses under a single management team with the brand name of Kaelus. This rationalisation will provide a single face to customers and simplify our business interactions in what is a very fast moving sector.

SLIDE – SMITHS INTERCONNECT: OPERATIONAL PRIORITIES

Interconnect's operational priorities for the second half include:

- continuing development of new products geared toward long term value creation
- fulfilling key customer commitments to ensure we are as well placed as possible for follow-on contracts in major programmes

- and additional restructuring to drive further operational efficiencies.

Overall, the US defence market is likely to remain challenging; however we're well positioned on strategically important military programmes and in some growth areas of commercial aerospace.

Wireless infrastructure spend should grow as operators start to fund the next generation of communication networks such as the roll-out of 4G and margins should benefit from higher volumes and from further cost saving initiatives.

SLIDE – FLEX-TEK: MARGINS BENEFIT FROM OPERATIONAL LEVERAGE

Finally, to Flex-Tek, the business that generated the greatest percentage of profit growth in the half year. Flex-Tek delivered an £8 million or 8% increase in underlying sales, despite difficult trading conditions. Margins rose 180 basis points to 11.6% through increased volumes and continued benefits from cost cutting and site rationalisation.

As part of its restructuring Flex-Tek now manages its business as four technology groups;

Fluid management sales grew 11% through improved volumes and pricing, with a healthy increase in revenue from aerospace components and a bigger share in the overhaul and repair service segment.

In construction revenues grew 13% as the US housing market finally showed some faint signs of life. We gained market share in the ducting segment and the introduction of our

new flash shield gas piping has been well received by the market.

In Heat Solutions sales grew 11% to meet increasing demand for heating elements from appliance manufacturers, meanwhile Flexible Solutions saw a 6% decline reflecting the weak US housing market for hose assemblies which was only partly offset by improved industrial demand.

SLIDE – FLEX-TEK: OPERATIONAL PRIORITIES

Looking ahead, operational priorities for Flex-Tek are:

- to extend the rollout of recent product launches such as the flash shield product,
- further expansion into industrial and appliance markets, particularly in high growth regions like Asia,
- and continued delivery of the benefits from rationalising its manufacturing portfolio and efficiency improvements.

We expect modest improvements in Flex-Tek's main markets, although the outlook for US residential construction remains uncertain. While cost inflation may put pressure on margins they should benefit from increased volumes and the final phase of restructuring savings. As I've said before, Flex-Tek remains extremely strongly leveraged to benefit from a full recovery in US housing.

SLIDE – SMITHS GROUP: OPERATIONAL PRIORITIES

In conclusion, then, trading conditions across many markets, while showing some signs of improvement, remain challenging. All the more so, given recent events such as the

political turmoil in the Middle East and North Africa and the catastrophic earthquake that struck Japan.

However our increased focus on driving top line growth through increased research and development, expanding sales and service networks and the greater penetration of emerging markets means that we are improving our position to benefit from economic recovery.

At the same time we also have the opportunity to generate further savings from restructuring as well as from leveraging our improved business systems to drive faster, more efficient database decisions. Greater operational efficiency allows us not only to deliver improved margins, profit and cash flow but also to reinvest more into sales, marketing, service and new product development to support medium to long term growth.

The focus on cash generation remains a priority to help fund these growth initiatives and further targeted bolt-on acquisitions. We will also continue to ensure that we maintain as efficient a capital base as possible.

Given this solid foundation for future growth and improving returns for shareholders we remain confident of meeting expectations for the full year.

SMITHS GROUP – SMITHS SLIDE

Before I conclude the formal part of the presentation, a brief commercial. We are hosting an investor day in New York on 28 June where the management of each of the

divisions will make presentations. I do hope that as many of you as possible will join us for what we hope will be both an enjoyable and a useful discussion on the strategy and the operation of the company's businesses.

Peter and I, along with other members of the senior management team, will now be very pleased to take any questions. In terms of housekeeping could I just ask you to wait for the microphone before posing your question and to preface your question with your name and the company that you represent.

Thank you once again for joining us this morning.

MARTIN WILKIE: Yes, thank you, Martin Wilkie from Deutsche Bank with a couple of questions on medical please. Firstly, you mentioned that there is some rationalisation of SKU still to come and presumably still some benefits of cost savings. If you could give us some sense as to what that could do to margins and the related question to that is in rejecting a bid for Medical late last year you presumably have a longer term view of earnings in Medical that are meaningfully above consensus forecast and I wonder if you could just explain a little bit about how you came to that decision and how you see longer term earnings. Thanks.

PHILIP BOWMAN: In terms of the second question, I think one stands back and one starts from the perspective that private equity are not necessarily philanthropists. We received an approach, the final figure, the best and final figure that was put on the table was £2.45 billion. I

think it's pretty questionable whether that would necessarily have been the figure that would have survived, had a transaction been consummated. The private equity would have been looking for a probably 20% IRR over a three to five-year period which says that there is still significant value left within our Medical business which was not represented either in the indicative figure that was given or indeed necessarily in market valuation. I think if you look at the improvement in profitability of that business over the past three years we've made significant progress. This is a business which as I've said openly before had been underinvested for quite a number of years and addressing that is not something you do overnight. I think the great success we have had is with CADD®-Solis and some of our other pump products at a time when our competitors are showing significant declines in volume in that area. We have been gaining share and we have shown significant growth. We have significant investment in the new product development pipeline and clearly we are looking to that to deliver revenue growth going forward. Any of you I think who have looked at the comments made by any medical products or devices companies over the last six months has not seen a great deal of joy. We believe that in the last six months of last year the average decline in revenue for our competitors across product segments was around 3%, in fact we think we've slightly outperformed despite the rationalisation work we've been doing on SKUs. In terms of that rationalisation work we're not going to give any

further guidance in terms of margins. It is an iterative process, as I've described before. As we continue to get better data, as we continue to look at opportunities for value engineering we are pruning and amending the portfolio. We saw in the first half of this year part of the benefits to that contributing to margins.

Srini, do you want to add anything to the question on SKUs? No, okay.

AVI HODDES: Avi Hoddes from UBS. Again a question on Medical. I've got three questions, but the first one on Medical. How much growth did the SKU rationalisation take out from the period? So what impact did that have? The second is a broad question across the group. I think it's fair to say that over the last year or two we've seen you able to raise prices in markets where your competitors may have lowered prices, the reason being that you've had the greater information flow. To what extent can that continue or have you reached the end of the line, so to speak, and so therefore we should see pricing trends match what your peers are doing in different divisions. Finally, on Japan, can you talk about the degree of supply chain risk that you may have in any of the divisions from Japanese lower tier suppliers?

PHILIP BOWMAN: I think I'll pass the first question on SKUs to Srini and the one on pricing I'll ask Paul and Srini and perhaps Stephen and Ted to comment on. In terms of Japan I think it is frankly too early to

come up with a considered or meaningful analysis of what the impact will be, both in terms of revenues for sales that the company makes in Japan or for the impact on procurement of supplies or components that go into our various products. I think the one observation I would make is that we have been working hard over the past two years to put in place second-sourcing of the majority of the components that go into our products and therefore we would generally have at least one alternative supplier who we would be able to call on if there was a material supply chain issue. We clearly have been looking across Japan at the potential impact but as I said I think it's too early to give a realistic assessment. I would say so far that the impact on us has been negligible and I am hopeful that there will be no long-term problems coming from that.

If we can then go to your question about SKUs, Srinu, please.

SRINI SESHADRI: Hey, Avi, how are you? Good to see you again. If you look at that minus 2 underlying from Medical point of view, the SKU rationalisation and the diabetes exit which is a special case of SKU rationalisation combined to about minus 1. So 1 out of that 2 is that. Then the other 1 would be just a reversal of the H1N1 uplift that we got last year, so roughly the rest of it balances out to zero. You have seen that the infusion business has been up quite sharply and therefore the rest of it is in the safety and vital care decline. Okay?

PHILIP BOWMAN: Srini, also while you are on your feet, pricing.

SRINI SESHADRI: We've done pretty decently on pricing, a lot of that has been through deep analysis of profitability by SKU, understanding where we have uplift possibilities. That's not over yet, I think there's more to come. Whether that's all going to translate out as positive price in the next year depends on what the economic conditions look like and what pressure we face, but from a procedural point of view of having the data, looking at the underlying capabilities, we certainly see some value there.

PHILIP BOWMAN: Srini, thank you. Paul, perhaps you'd comment on John Crane's perspective.

PAUL COX: Well, on pricing we face three different environments. One is the OE environment which is never going to be a particularly pleasant area for pricing, so that remains largely unchanged except it adds more opportunities for investments in large capital projects, so that's the comment around more interesting OE pricing. For our other markets, the upstream and the rotating equipment part of the aftermarket, those two we continue to see opportunity to drive more value for our customers and so we think there's still more price to go for, but the price only comes to us when we generate

more value for our customers, so that's the coupling and we believe that's still an opportunity for us.

PHILIP BOWMAN: Thank you, Paul. Stephen, Detection.

STEPHEN PHIPSON: Pricing in the government regulation market is really about delivering additional capability, so in our case the R&D funding line is very closely connected to what we're doing in pricing. An example is probably the one that Philip has used earlier with our advanced threat detection X-ray systems, if you look at the checkpoint of the typical airport terminal delivering that additional functionality gives you the opportunity to double the price per unit and price per checkpoint position. So it comes in our case with what we're doing with the R&D funding line which is why it's maintained at a fairly high level within Detection.

PHILIP BOWMAN: Thank you. Tedd, please.

TEDD SMITH: I think in our group the situation we would have is that the transformational part of our pricing in most of the market has come to a conclusion and I would neither expect to win or lose based on commodity inputs from where we stand today.

PHILIP BOWMAN: Thank you, Tedd. Next question, please.

ALEX TOMS: Hi, Alex Toms from Bank of America Merrill Lynch. A couple of questions from me. First of all, in John Crane, can you talk about the split between OE and aftermarket and the margin differential and potentially what you've seen in the OE order book about the outlook there and what sort of visibility you've got. Then secondly detection in terms of margins, getting back up to kind of high teens, what's the prospect there? Is it all volume driven, is it mix driven? What's the maths we should be thinking about there?

PHILIP BOWMAN: Okay, I think in terms of John Crane split between OE and aftermarket we don't undertake activity-based costing to split between the two of them, so it's not a figure that we report. I think in terms of what the pipeline looks like, Paul, would you like to comment on that a bit?

PAUL COX: Predominantly our backlog is actually in the OE sector in the capital spend and that's up well over say a year ago, so we continue to see strong growth in the quoting activity and we continue to win our share, we think, in some cases we are actually gaining share in seating our aftermarket. So second half-wise we have pretty good visibility of what we're doing in the second half on the OE side.

PHILIP BOWMAN: Paul, any sort of generic comments on geographies differential?

PAUL COX: Well, I think the biggest green fields are obviously still going into the Middle East and into the non-OECD areas as well as there's been a pick-up generically across the board in the projects business, including the LNG activities, particularly in Australia. So those areas are all motoring ahead pretty well and of course all driven on speculation that there will be continued growth in use of LNG and oil and gas in general from non-OECDs.

PHILIP BOWMAN: Thank you, Paul. The second question in terms of Detection on margins, Stephen?

STEPHEN PHIPSON: The simple way to think about Detection and its margin is that we sized the business for a certain level of activity, we have a lot of engineering overhead in the business so volume is a big part of it. So seeing a volume recovery in the second half affects margins. The second part is the defence business, our defence business and chemical detection is a strong margin business and having a different mix first half to second half will affect the margin progression in the second half and as we're expecting to get back on the military sales in the second half that will improve the margins.

PHILIP BOWMAN: Thank you, Stephen.

ALEX TOMS: Can I just quickly ask a follow-up on the John Crane margins. Just trying to back out, you know, OE is coming back a lot stronger than aftermarket, but despite that mixed kind of headwind, do you still think John Crane margins can go up from here?

PAUL COX: When you say, "John Crane margins can go up from here" I think the question is in which cycle? I think our overall margins will be driven by a mix of OE and aftermarket. We will continue to make sure that we get our share of the CapEx and during that kind of fluctuation in terms of the CapEx cycle it may have some ups and downs. A year ago in the second half we had a lower OE activity and a much higher aftermarket activity, so we had a very, very strong second half. You know, half to half we will get some variation in that but I believe that we will stay more or less in the same region we're in depending on which half you're talking about. It's kind of a woolly answer but quite frankly it really depends on the mix. Our view is, our passion is, on absolutely keeping our customers running and we want to be in the aftermarket space, so it's very much as the CapEx goes up we'll make sure that we're actually in that game. The long term growth opportunities and the long term profit opportunities are in our aftermarket and that's where we're focused to make sure we maintain that share.

PHILIP BOWMAN: Thank you, Paul. Any more questions? Sandy?

SANDY MORRIS: Yes, sorry. Do you mind if I go through just three things, roughly, I think. The first thing is I think Srinu might be doing himself a disservice because when I've looked at the peers this H1N1 stuff caused much greater volatility in volumes than I think you're admitting to and it would be nice if someone could just strip that out for me and just actually tell me what was going on. And how come our pumps -- are they escaping the constraints on CapEx or are they actually still growing within the constrained CapEx which is what everybody else is telling me?

The second thing, and it's not back to margins, because actually you have to grow the OE stuff and Crane eventually, this was another extraordinary first half in terms of OE and aftermarket. I mean aftermarket can't keep going at 17% and OE has barely begun its recovery, given it was down 15 last year. So I'm hoping OE is going to help us quite a lot actually in terms of throughput and everything in the second half. And then Detection, sorry for all the boring stuff, I mean we're very lucky we didn't have more working capital go into Detection by the look of it. I mean if this stuff were delayed and we'd had to pay the creditors off it could have been £50 million or £60 million. So looking back over the half Detection looks like it's a bit of a, dare I say it, coiled spring for the second half unless the customers muck you about.

PHILIP BOWMAN: Sandy, I welcome your comments on Detection because this business now, as I said, the scale of the tenders is getting bigger

and very often the lead time, as we manufacture a lot of this equipment to specific requirements for customers, so it doesn't come off the shelf, is significant and if you get an order for say five high energy X-ray screening systems you very often have to ship them all at the same time, get them site-acceptance tested at the same time and that little lot might cost you £15 million or so. So the capacity for working capital to fluctuate is significant. I will leave Stephen to comment on the coiled spring part of that. In terms of John Crane, Paul, would you like to talk a little bit more about Sandy's point about OE growth?

PAUL COX:

I want to take one moment to return to the aftermarket part of the growth, Sandy, as well. In general if you think we did make announcements a year ago that we had landed the Romanian contract and that actually started in terms of a soft start on 1 December 2009, so we're now at a full run rate whereas the previous half comparison-wise we had none of that. What we had announced was we anticipated it to be in the order of £14 million a year in terms of revenues and we're on that run rate. So that's one component, if you will, of looking at the aftermarket growth. I think you've made the observation that you can't really expect the aftermarket growth to go that quickly. Part of that is the one-off step-up from the Romanian contract and part of it is just the general recovery in terms of the spending activities in the aftermarket.

OE we're definitely going to see an uplift in terms of the sales activities from a month-to-month run rate standpoint. We've got a lot of things we've booked into the first half in terms of in the order book, so we will see some growth out of the second half in terms of OE but I think Phil's comment was the right comment, be careful you compare it to the proper comparative, in other words our comparative in the second half was far stronger than first half. I remember myself one year ago I believe the instruction was I was not able to wear a belt or shoelaces coming to this meeting, so I was quite searching for the bottom a year ago, so first half to first half I don't want to say it was a lay up to get good growth but I'm really grateful we're out of that period. The second half was much stronger so we'll be not at the double digit kind of rates we were doing for the first half.

PHILIP BOWMAN: Okay. Stephen?

STEPHEN PHIPSON: Sandy, you're right. Three things really. If we look at what's happened this year we had quite a delay in order profile from the US Government in our first quarter. That started coming through in the second quarter which is why we've got a slightly different run rate in terms of the contracts building. Secondly, in terms of working capital we've got a lot smarter at actually putting a lot of that into the supply chain rather than sitting on our balance sheet. So we've got a lot smarter at committing that with our vendors. So

yes, it could have been a lot bigger, is the question, but I think we've managed that very well in terms of supply chain management.

Are we a coiled spring? We are a coiled spring, we're very, very busy. I think the government's delivery schedules will determine the rate at which that coil unwinds and the question is always can we get as much of that into this fiscal year or does it drift into the second fiscal year. Typically we see our second half stronger. It was a good second half last year and the end of the American budget year of course is the end of September, so it slightly goes past where we are at the end of our fiscal year and sometimes we see that drift over. So our job this year is to get as much of that into this fiscal year as possible so yes, we'll be unwinding the spring and we have to make sure that we get a lot of that inertia into this half. Can we predict that accurately? We can predict it pretty well but there's always a risk that the governments will delay by a month or so before they do final acceptance test and final invoicing events in terms of our sales. So that's the issue. The order book is building momentum. Can we get it into this fiscal year is going to be the execution.

PHILIP BOWMAN: Thank you. Srimi, brief comments on the pump market and hospital budget constraints and have you under-called the impact of last year's H1N1?

SRINI SESHADRI: No, our estimate is that actually like I said earlier about 1% of that 2% decline is H1N1. I think what you may have seen in the broad market with other people who may have commented on the effect of H1N1 on their business, if they were in the larger ventilator business, which we're not, the various organisations may have stocked up higher on those kinds of product lines, but then you'll have to talk to them about whether they've over or under-called. I wouldn't want to speculate, Sandy. All I know is my numbers and 1 out of the 2 is the H1N1 effect.

The second part of your question is about our pump business. In fact the customer feedback on CADD®-Solis has been just extremely positive. In fact the children's hospitals' dependence on Medfusion® is very gratifying as well, so I think we have very, very good products and we are gaining share in that space.

The last thing I'll say is that some of the competitors in the volumetric pump business have been under some pretty significant stress from the FDA so you may have seen the effect of some recalls. Now whether all customers instantaneously switch to one of the three or four major companies if somebody is under FDA stress, I don't think that happens instantaneously. So they are down quite a bit where we are up.

SANDY MORRIS: What about the CapEx constraints?

SRINI SESHADRI: We are in the ambulatory pump business. The CapEx constraints especially in Europe have not eased, however we're on the lower end of that scale compared to large volumetric pump placements and so in some sense it is relatively easier for us than for some other companies. Does that make sense to you? We can discuss.

SANDY MORRIS: I'll think about it.

PHILIP BOWMAN: Thank you for that, Srin. Any further questions? Yes, from the front row. I can see the front row.

ANDREW CARTER: Good morning, it is Andrew Carter from RBC. Could I just go back to Medical and could I just ask, in terms of the statement from January should we be actually thinking that there's some kind of a formal process underway as regards the disposal of Medical following how you worded that statement?

The second one was perhaps slightly more generally but if Smiths were to make a major disposal what should we be thinking about as regards proceeds, in terms of things like tax position and pension position and whether or not cash would come back to shareholders?

PHILIP BOWMAN: I think in terms of the announcement we made in January and I'm sorry clearly my drafting technique has escaped me, no, there is

absolutely no process underway at all with Medical. This was an unsolicited approach that came, it was evaluated, we said no and I think we made clear in the comments I made around that time that we were not seeking to divest of that or any of the other businesses. So there's no process.

In terms of the hypothetical question of what would happen were that to occur I think the only guidance we have given historically is firstly that the tax leakage on disposing of a whole division is relatively small but breaking up any of the divisions would be expensive. In terms of the pension situation I would imagine that the pension fund trustees would be passing down the aisle with the collection plate pretty quickly, but that's a question you would have to ask them. Although the accounting deficit on the pension funds has fallen very significantly from where it was a couple of years ago, there is a big difference between accounting deficit and the buy-up deficit of a fund, so clearly there would be leakage to the pension fund trustees but there is little point in speculating how much ahead of such an event.

ANDREW CARTER: Just a wrap-up on everyone's favourite subject, asbestos. I mean in terms of claims and everything you seem to have done really well again. What I don't understand is how we've lost no more cases but paid out more money. So I'm just curious whether there's some little quirk there that I should be aware of.

PHILIP BOWMAN: That's a fascinating question. Peter, is it one you'd like to answer?

PETER TURNER: I suspect, Andrew, it's just around timing of payments so in terms of a lot of the payments are obviously in terms of the defence cost as well, so there's two sort of pieces in the cash flow, there's the defence costs and then obviously the adverse judgements and where there's a set timing in terms of the adverse judgment settlement process. So there's nothing else fundamentally underlying that.

ANDREW CARTER: As long as they can't come back again.

PHILIP BOWMAN: No, I mean I think once they're dismissed or once they've been paid off that is the end of it and I would just take issue with one thing, I have to say it's not one of my favourite subjects. Any other questions?

MARTIN WILKIE: Thank you, it's Martin again from Deutsche Bank. Just a question on Interconnect and the wireless business. Obviously with some of the consolidation in US wireless announced over the last few days I'm guessing the answer is going to be it's too early to tell, but is there an impact, either positive or negative?

PHILIP BOWMAN: Ralph?

RALPH PHILLIPS: It's too early to tell. No, I think that really is true. We do supply both T-Mobile as well as AT&T and as a consumer you always want as many suppliers as possible and as a supplier you want as many customers as possible so you have to be kind of careful how that's going to play out, but we do have really strong positions with AT&T, we are a supplier to them and we just have to see how it plays out over time.

PHILIP BOWMAN: Ralph, do you want to talk a little bit about what you see happening in the wireless sector over the next 12 to 18 months, just a view as to where investment is going to take place?

RALPH PHILLIPS: Well, I think the 4G rollout is going to continue very strong. We've got good products, we are making very good inroads in the US as they roll out 4G, as well as the 4G has demanded increased test equipment for testing capacity. In modulation we're the world leader and we see real positive signs over the next few months and hopefully years relative to the rollout of 4G, not only in the US but as it rolls out around the world.

PHILIP BOWMAN: Ralph, thank you very much. A final question? No, no final question. If we have satisfied your thirst for knowledge, thank you again for joining us this morning. I hope you found it a useful session and we look forward to seeing many of you in New York in three months or so time. Thank you very much indeed.

