Beckman Coulter 2008 Annual Business Review
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Corporate Speakers

• Scott Garrett	Beckman Coulter	Chairman, CEO
• Scott Atkin	Beckman Coulter	Group VP, Chemistry, Discovery & Automation
• Bruce Bartholomew	Beckman Coulter	VP, GM, Hematology
• Bruce Wallace	Beckman Coulter	VP, Scientific Affairs
• Richard Creager	Beckman Coulter	Group VP, Immunoassay & Molecular Diagnostics
• Jim Widergren	Beckman Coulter	Corporate VP, Asia Pacific and Latin America
• Charlie Slacik	Beckman Coulter	CFO

Participants

• Pete Lawson	Thomas Weisel Partners	Analyst
• Sara Michelmore	Cowen and Company	Analyst
• Tycho Peterson	JPMorgan	Analyst
• Tom Clancy	Philadelphia Trust Company	
• James Francis	Morgan Stanley	Analyst

PRESENTATION

Scott Garrett: Good morning, everyone. Welcome to the Beckman Coulter Annual Business Review. It's great to be here and we have a lot to talk about. Ordinarily our annual business review is focused on long term strategy, a review of the environment in our business, and a lot of time spent on new product strategy.

We're going to do all those things today, but in addition to that we're going to give you some reassurances about our position as a health care company, as an installed base company in this difficult economic time, and we feel pretty positive about our ability to continue to deliver for our shareholders even through some otherwise difficult times for the economy around the world in general.

Our inspiration is in the lower left-hand -- lower right-hand corner of this slide. We're dedicated to improving patient health and reducing the cost of care. That's an important statement for us. It really describes what this Company is all about. We're really doing really great things for hospitals and for patients. At the same time, we're reducing the cost of care.

We're on the right side of the health care cost debate. And we do all of that by understanding the process that our customers use to generate test results, simplifying, automating and innovating that process in ways that make our products very compelling financially and clinically to our customers.

We have some forward-looking statements today and the results could differ materially from those projected. Facts that could cause those actual results to differ are described in our most recent annual reports and on Form 10-K and 10-Q, particularly under the heading Risk Factors, as well as our reports on Form 8-K, all of which are on file with the SEC. Updates to Company performance or forward-looking statements will be made only via news releases or SEC filings. Our program today is being webcast and we did have a press release last night and I think most of you are aware of that.

Let me talk a little bit now about the Company and the situation and position that we're playing. We believe that while no company is perfectly insulated from the effects of the global economic turmoil that we're experiencing, I want to remind everyone of the role that we play and the business model that we have in place. We're a health care company and that means that demand for our products is largely steady and predictable. The underlying demand is not discretionary from most of the things that our products are used for.

Number two, we're an installed base company. We have a business model that includes 200,000-plus instruments operating all over the world and generating reagent revenues, service revenues, lease revenues, all of which we total up under the heading of recurring revenue. Again, steady, predictable performance, not influenced as significantly by the overall economy.

And third, recurring revenue makes up nearly 80% of our sales. Fourth, we're global. Half of our business is outside the US and so we're not as subject to the volatility that's uniquely US based. We have a good balance of business inside and outside the US You'll hear a lot more about what that means in terms of our 2008 outlook for the rest of the year and some of the early targets and a brief description of where we believe we're headed for 2009.

But now, let's go back to the basics. Beckman Coulter is the industry leader in biomedical testing. Our business is largely focused on clinical laboratories but we also have a significant business, about 15% of revenue, coming from life science research. Beckman and Coulter are the two best names in the industry.

These brand names bring with them a lot of loyalty from customers and, literally, that loyalty extends all around the world. The customers that we encounter in China and India oftentimes were trained in the United States and have a very significant appreciation for the names Beckman and Coulter as the pioneers and long term leaders of the industry.

Let's talk a little bit about the clinical business versus the research business. As I think most of you know, research markets tend to be more fragmented. Researchers tend to look for the

best of breed instruments when they make decisions on analytical systems and will often look to a new instrument as features and benefits come out that distinguish it from the prior generation.

So customers tend to be less sticky, a little less loyal, and there's a far less ability to confer advantage on a second product line given leadership in a first product line. So you're pretty much on your own, best of breed in the research market.

We have leadership position in centrifugation, in our capillary electrophoresis family of products and in life science automation and that's where we're focusing virtually all of our life science investment, to continue those leadership positions, managing them for profit and return, and literally funding our ability to do more research and development in clinical projects based on the success and profitability of our life science product lines that enjoy leadership positions.

Then in clinical diagnostics, there's far more concentration in terms of the competition. The top five do hold about 60% market share and the top five tend to be the same top five whether we're talking about the US or Europe or Asia.

Breadth and depth are very important in the clinical market and it is very likely that leadership in one discipline within the clinical lab will confer advantage on other products that are brought to the clinical lab. Our success in immunoassay, which I think by anyone's definition has been outstanding, we really came from nowhere about ten years ago to a leadership position in many segments of immunoassay.

And we've done that on the basis of a very, very capable product line and the Beckman name and position in chemistry. Chemistry helps sell immunoassay, immunoassay helps sell chemistry, automation pulls along both of those, and hematology and flow cytometry again add into the mix. So a broad and deep product line is very important in clinical diagnostics, not so big an advantage in life science.

In the clinical market, our leadership positions are primarily hospital based today where we have a stable, growing installed base and very predictable and sustainable recurring revenue. So a very strong point for us going forward is the significant presence we have in hospital labs, more than 80% of our business, and our recurring revenue that's derived largely from that side of the business.

We'll talk about our growth opportunities, as we have been doing in these meetings in previous years. And these are some of the market dynamics that underlie those growth opportunities. In emerging markets, the base and menu expansion is a very important factor for us. We're focusing on the largest, most sustainable opportunities and they are substantial. So emerging markets are creating growth.

New hospitals are being built, new capacity is being built, the capacity to treat is being realized in many economies that are just getting big enough and strong enough to offer health care to a

larger proportion of their populations. As they do, they have to build out the infrastructure. That infrastructure always includes a clinical lab.

Secondly, the growth of outreach testing, which is unique in many ways to the US, but there are some example of outreach outside the US, but in the US, we've found that more and more hospitals are realizing that they can move their lab from the position of a cost center to a profit center by embarking on an outreach program, literally marketing their laboratory services to the doctors on staff, nearby clinics, nursing homes, et cetera.

So we've seen significant growth in the number of tests run by hospital labs that is really independent of the number of patient days that they're reporting; a big factor in the growth of our business and the profitable management and profitable capabilities of hospital labs in the US. Those that are doing outreach tend to have a better, more efficient lab too, because they're usually equipped with automation and they do the kinds of things that save labor, but also improve the accuracy and quality of the laboratory service.

Third, the aging population. The Western world -- the developed economies of the world, continue to see the population age. And as we all know, this has been a driver of all the health care statistics and demand for health care in those developed markets. And that continues and will also continue for some time. And then finally, the explosion in biological understanding. This is a source of new tests, new technology, new understanding that leads to more and more tests and primarily high value tests.

Offsetting many of these positive factors that are driving demand and driving our business, we have the fact that there are ongoing price pressures in this industry, and that's nothing new. I've been at it for a long time and there've been very few examples of price increases -- prices tend to go in one direction, and that's down.

However, the installed base and the installed base of customers is very loyal. We retain 85% of our customers at the end of a lease. And therefore, not much of our business is hotly contested as it comes up for renewal and by definition, when it comes to our clinical business, on a lease basis. If the leases are approximately five years long in average, then 80% of our business in any given year is secure.

So for the 5% -- or, excuse me, the 20% that's not secure, maybe as little as 5% is actually contested. When it is and there's an integrated health network, a big regional hospital consortium involved, they tend to drive a hard bargain. They have a lot of power as a customer to drive a hard bargain.

We find also though, that those integrated health networks turn into very, very good customers and we compete for that business with the expectation that when we win it, we can over time improve the overall volume and profitability of that relationship. And that's proven to be the case, especially where automation is involved.

Now, just another quick example of the stability, the consistency of our industry. These bars represent the overall market growth in the US of diagnostics products manufactured. And you can see it's been a pretty healthy growth rate of 4% to 7%, not much fluctuation over the last eight years, even while admissions growth has been up and down with four down years and four up years.

Hospital operating margins have been up and down. Unemployment statistics in the US have been up and down, three down years in terms of higher unemployment and four years of lower -- five years of lower unemployment. GDP growth we -- this includes the recession of 2001, 2002, where GDP actually shrank in 2001 by just a little bit and by 2.5% or so in 2002.

So even in times of recession, even in times of relatively high unemployment, the demand for the kinds of products we make has been very steady and steadily growing. As the leader in this segment, we expect that demand for our products on a recurring revenue basis especially will be steady and, in fact, very likely to grow.

Now, a little more detail on our business model. I talked about 80% recurring revenue. It's a little bit less than 80% in quarter-to-quarter, year-to-year. Cash instrument sales make up the other 20% or so. And that cash instrument sales segment is further divided into its main components. As you can see, the biggest part of that is life sciences.

Our sales to life science customers are largely done in cash. The recurring revenue associated with a spectrophotometer or even a centrifuge is a lot smaller compared to the value of the instrument itself than the equation when you talk about chemistry in a [clinical lab] or immunoassay in the clinical lab. So life sciences makes up roughly half of those cash instrument sales, followed by cellular, where traditionally hematology within the clinical lab has been more likely to be a cash sale than a reagent rental or an operating type lease.

We have seen more and more operating type leases in hematology in recent years, but still, the majority of those transactions are done on a cash basis. Following hematology within cellular is clinical automation, which has been traditionally largely a cash transaction. But we're seeing more and more customers now open to an operating type lease even for automation, which often can run a price tag of $1 million or more.

And then the other segment is a mix of, literally, any and all the products that we make that on occasion are acquired with cash. So when you think about [the ability] to a slowdown in capital expenditures by hospitals, you can see that less than half of these cash sales are the hospitals, half are the life sciences, so that's governments around the world. NIH grants is one of the best indicators of whether we're going to see an uptick or a downtick in life sciences.

And big pharma in -- not just in research but also in development and in production, use our instruments for quality control, for screening, for all types of analysis. And then in cellular, in

clinical automation and the other categories, all of those products are very easily transacted on a lease basis where a hospital can fund that new instrument out of their supplies budget. Doesn't require any special capital requests, doesn't require a trip to the CFO's office. These are things that can get done on a very, very routine basis.

So we believe that we're largely insulated from a no capital expenditures decision by a hospital customer. We can find a way -- if they need a new instrument, we can find a way to get them a new instrument without a drawn-out capital approval process.

So, we have a lot of opportunities to improve the efficiency and productivity of our customers. We continue to focus on customer needs with all of our instrument systems and all of our automation. All around the world, skilled labor is in short supply, even in markets like China and India, where I think the conventional wisdom is correctly stated that labor is plentiful and it's relatively cheap.

However, skilled labor, the kind of labor you need to run a hospital laboratory, is in short supply and I think it's obvious that the best hospitals, the high end hospitals in India and China, want high quality capabilities and they want to make the best possible use of their scarce skilled labor. So our systems address that labor shortage.

They're easy to use, have 24-hour responsiveness in terms of service. We are capable of more and more volumes in terms of throughput. Higher and higher levels of complexity and quality tends to be another differentiator for us. Very importantly, with our leadership positions in hematology and chemistry, we are the most important partner for all of our customers who use our chemistry and hematology.

The numbers of test results reported from the chemistry analyzer and the hematology analyzer dwarf all the other instruments in the laboratory combined. So we're putting out a total of more than 3 billion tests each and every year -- test results, and these are largely coming from chemistry and hematology. That's why our brand names are so valuable.

When hospital customers think about who their partner is, who's really delivering for them, they think about hematology and chemistry first, then immunoassay, and after that probably all the other -- all the other possible systems that they might have in the lab. When it comes to running the lab on a day-to-day basis, what makes us productive, what makes us capable, it's the hematology and the chemistry instruments.

So our process knowledge, our systems integration capability, really sets us apart. We've been developing products prolifically for the last several years, oftentimes introducing more new major systems than the rest of our competition combined. We continue to do that and outpace our competition because we have within our own internal capabilities the ability to conceptualize, design, develop, manufacture, support and service all of our instruments and we're doing that again for the future.

So a quick look at where we've been and where we are. In the 2000 to 2004 period, we had far more focus on life science projects than we do today. We were chasing a lot of relatively small opportunities with very slick technology that, I think, many in the Company were very fond of. But, when we really got down to understanding where the value was, we realized we should be redirecting those resources into the clinical market.

So from 2004 to 2008, you can see that the emphasis has been on diagnostics, the blue bars that are stacking up being diagnostic products, the gray being the life sciences. We do continue to have a select few investments in life sciences to make sure that our leadership positions, those niche -- very profitable niche positions continue to grow, continue to thrive.

Our pipeline continues to be full and we believe we've got opportunities to continue to introduce new products that will further improve the overall productivity of not just the laboratory, but the entire hospital. Better information brought to the doctor's attention earlier, leads to faster admissions, shorter lengths of stay, faster discharges and better outcomes for patients. All the things that add up to improving patient care -- improving patient care and reducing the overall cost of care.

So today our management team will address several areas for growth. Automation and the opportunities to further expand our market presence is one of the topics. Automation, as I said earlier, really does bring along a lot of other capabilities with it. And when we have an automated customer, it tends to be a customer for a very long time and tends to be a very profitable customer.

We're further developing our automation systems, moving into pre-analytical automation and also very importantly, adding highly differentiated software as a focus area for our development efforts going forward.

In the area of cellular, we have an opportunity to literally reinvent the whole hematology proposition for our customers. I think hematology, where we've had a leadership position for a long time, has been often thought of as, gee, it is what it is, it's not going to change. And we have a team of people now managing our hematology business who have a far more compelling vision for hematology and believe we can bring lots of new tests, lots of new capability and lots of new value to the hematology instruments of the future.

We'll have a description of that, including a new concept called HematoFlow, that brings the promise of flow cytometry determinations into the routine lab with hematology in ways that will improve productivity and value of all the tests that are run in hematology.

Emerging market penetration includes a focus on China and we have in recent years also had a good start into India and many other markets. You'll hear a lot more about that. In molecular we continue to work on an entry into the molecular business, a very appropriate adjacency for

us because our vision for molecular is to make molecular testing a reality in the routine clinical hospital -- routine clinical lab within the hospital.

So avoiding the cost of send-outs, doing it in a way that's timely and cost effective, not only will be very good for our business, but we believe it will create far more demand and growth in that segment. So molecular is another very important area for us. And we continue to be pretty much on track with the creation of a whole new business area for Beckman Coulter in molecular.

And then finally we have immunoassay, where we're focusing on new tests and technology. We have an opportunity in immunoassay to also reinvent the whole approach to immunoassay. And what I mean there is we have a technology that is highly capable and far simpler than the state-of-the-art today, which will allow us, number one, to make faster, more reliable and more cost effective instruments for the clinical lab, but also will very likely lead us into near patient testing, with a very simple and straightforward capability that will bring many of the immunoassay tests and possibly others to a near patient setting, whether that's the emergency department, ICU, CCU or even the operating room.

So we'll start off with automation. Scott Atkin will be taking us through that overview, followed by Bruce Bartholomew, our General Manager for Hematology, will give us an update on cellular analysis. Bruce Wallace, our VP of Scientific Affairs, will walk you through the progress we're making in molecular testing, followed by Richard Creager, the Group Vice President for High Sensitivity Testing, who will talk about novel immunoassay tests and technologies.

He'll be followed by Jim Widergren, our Corporate Vice President for Asia Pacific markets, and he'll talk about China, India and other emerging markets. And then finally, Charlie Slacik will come up to give you a financial update, including our updated 2008 outlook and a quick peek at what we expect in 2009.

So now, I'll turn it over to Scott Atkin.

Scott Atkin: Thanks, Scott, and good morning, everybody. Clinical automation has long been an integral component and value proposition from Beckman Coulter that has helped enable us to position our diagnostic platform on value versus price, and has fueled recurring revenue growth in almost every geographic region around the world. As important automation is to our success, automation is rapidly becoming a critical element of our customers' ability to realize their quality and financial goals as well.

One of the primary drivers for implementing automation in the clinical testing environment is to improve operational costs and productivity in the hospital laboratory. Successful automation installations allow our customers to directly address the largest and fastest growing cost component in the US hospital laboratory today, that being labor.

In addition to labor costs being the largest and fastest growing expense in the laboratory, qualified technical labor is becoming increasingly scarce. The number of medical technologist graduates in the US declined 5% per year from the period of 2001 to 2006. During that same time period, testing volumes actually increased at a compounded annual rate of 6% per year.

Interestingly, with test volumes increasing and the available labor pool shrinking, hospital vacancy rates actually declined over this same time period from 11% to 5%. More than 80% of the respondents to the survey where this data originated indicated that automation reduced staffing demands, allowing them to absorb the growth in testing volume without adding headcount.

In addition to reducing the need for labor in the laboratory, automation has other significant intangible operational benefits. As the leader in clinical laboratory automation, Beckman Coulter has been working with customers for over a decade to remove processing steps in the laboratory, resulting in some of the best and most predictable turnaround times in the industry.

Turnaround times represent the time from when a test is requested, until the actual result is delivered to the clinician providing care to the patient. Improved turnaround times have proven financial results, not the least of which is improved operational efficiency in the emergency department and other specialized care centers within the hospital.

Turnaround times have been directly linked to the length of stay in the emergency department and are highly correlated with patient care costs. With Beckman Coulter's progressive automation strategy, customers can remove upwards of 50% of the manual processing steps. With a Beckman Coulter integrated chemistry immuno work cell solution or with fully connected total laboratory automation, nearly 90% of the manual steps can be eliminated.

Customers clearly understand and recognize all the benefits of automation. In this survey of customers either having or considering automation, three of the top five cited benefits directly relate to labor productivity and cost. The other top benefits, error reduction and turnaround time improvement, are aligned with improving the quality of the clinical data generated by the laboratories. In total, this list is a very clear proof statement of our inspiration, improving patient health and reducing the cost of care.

Now, let's turn our attention to two real world customer success stories. The first is a university hospital laboratory, the University of Oklahoma Medical Center. Partnering with Beckman Coulter, the university laboratory was able to improve turnaround times on tests by 75% to 80%. This resulted in a reduction of patient wait times in critical care areas and allowed the laboratory to close two stat facilities, saving over $1.5 million annually.

In addition, testing volumes increased nearly 35% with no increase in staff and 22 tests that were previously send-outs were brought in-house, thereby contributing to significant reductions in turnaround times for those laboratory results. In addition to enabling market improvement

and hospital operating efficiencies, automation also enabled laboratories to change from a cost center to a profit center.

Addressing a very real and growing trend in the US market, hospitals are leveraging their investment in fixed assets and labor costs to compete effectively for outreach volumes. Muir Lab, a part of the John Muir health system in northern California, is just such an example. This profitable contract work for the hospital supports above average growth in recurring revenue for Beckman Coulter and in significant investments in laboratory automation.

As successful as Beckman Coulter has been with clinical automation, the opportunities for the future are significant. Of the more than 5,000 hospital laboratories in the US, over the last decade the penetration for automation is actually very narrow, with only approximately 15% having already implemented some form of automation. The trend towards automation is expected to grow significantly, with nearly 50% of the laboratories planning for automation in the next five-plus years.

As a recognized innovator in improving laboratory productivity, Beckman Coulter is considered the leader and is rated as the number one or number two choice by labs with acquisition intent. This reinforces Beckman Coulter's track record as a reliable, committed, quality focused lab partner supported by unmatched experience in implementing automation solutions.

Not all automation is composed of large, connected, track based solutions. Our integrated chemistry and immunoassay platforms or work cells represent the first step in Beckman Coulter's progressive automation strategy. With our broad portfolio in chemistry and immunoassay, we already meet the needs of high, medium and low volume labs with our standalone solutions.

Directly connecting these platforms together with our unique and proprietary closed-tube aliquoter standardizes and simplifies workflows, allowing our customers to eliminate up to 50% of those steps of traditional standalone systems. Our successful work cell strategy has helped support three consecutive years of record chemistry placement and supported above average market growth in immunoassay at two to three times market rate.

We expect to add to our portfolio of work cells in the immediate future with the introduction of three new platforms, the DxC 680i, the DxC 660i and the DxC 860i. These new work cells will allow customers to match the chemistry and immunoassay systems with their current and future test volume demand.

Workstation consolidation has been an important trend for Beckman Coulter. Selling immunoassay into our loyal process minded chemistry customer base has been a major growth driver for our company, and our new work cell offerings will enable Beckman Coulter to compete even more capably for the consolidation of accounts. Beckman Coulter's automation

leadership is clearly a leverageable competency, allowing us to capture share in this most rapidly growing segment of the chemistry immunoassay market.

In summary, automation continues to be a growth driver for Beckman Coulter, enabling and supporting above average growth rates and recurring revenue. Focusing on improving efficiency and productivity in the hospital allows us to compete on overall value, not on price. Our leadership in automation also provides a safe haven for those customers considering automation.

For over a decade, Beckman Coulter has a strong legacy of simplifying, innovating and automating customer processes. For a much longer period, we have a legacy of innovation and hospital life science markets. If you look to our next generation systems, you can count on us bringing the value that we brought to the hospital lab in things like next generation cellular, our sample-to-result molecular solution, and our breakthrough immunoassay technologies.

With that, I'll turn it over to Bruce Wallace -- or Bruce Bartholomew and our next generation cellular platform.

Bruce Bartholomew: Good morning. This morning I'd like to break my presentation into two sections. I'll be talking first about the introduction of the DxH 800, our next generation hematology system and the first in a series of modules which will constitute the DxH platform. Second, I'm going to explain the power of HematoFlow mentioned earlier by Scott and how this concept adds value today, but how we plan to deliver this ultimately in an automated fashion to customers.

As we look at trends in cellular analysis, it's clear that these customers have needs and constraints very similar to those outlined by Scott in our chemistry and immunoassay area. Growing test volumes, constrained budgets, limited access to skilled labor head the list. But there are other significant unmet needs in cellular analysis, in particular related to the review of manual -- the manual review of abnormal CBC differential results.

First, in the US, 35 million times a year a lab tech makes a blood smear on a slide, stains it, and then makes a visual microscopic exam and interpretation. The need to reduce or automate this process is keen. Additionally, there is a need to better characterize cell populations and their functions to create -- and will create exciting opportunities to add menu of high value tests to the hematology market.

So the DxH 800 system is the first in this new era of cellular analysis system at Beckman Coulter. The DxH 800 is packed with value that includes, again a focus on quality of results. First and foremost, accuracy; second, tools to support laboratory's lean initiatives. This is very important as laboratory's strive to become more productive and cost efficient. And third, a really revolutionary approach to scalability.

The DxH 800 boasts many evolutionary improvements such as improved reliability. And I find that our customers are constantly impressed by the reduced footprint of the system and how much automation can be offered in such a small space.

But I'd like to highlight three differentiating features which boost the economic return of ownership and therefore represent a financial opportunity to Beckman Coulter. Those are proprietary sample handling, auto validation software and finally, scalability, one of the defining features of our work cell vision.

First, is sample handling. The sample handling of the DxH 800 system is trackless. It's integrated into the system bidirectional and very easy to connect and expand. The unique design automatically balances workload and accommodates reflex and repeat testing. The rack system handles all tube types, including pediatric samples, which have heretofore been -- required manual handling and a lot of extra labor by laboratories.

All this is complemented by software extensions which will deliver new parameters for high value disease states such as sepsis, anemia and cancer. And speaking of software, I've taken here a screen shot from the DxH 800 user interface. This integrated workflow management software takes on tasks that usually have been handled by separate middleware and LIS systems, but we've built this software directly into our platform.

And the key here is standardized review across all lab staff, between shifts, among various training levels in the laboratory. Yet, while standardizing how labs look at these results, we provide the opportunity to customize the reporting based on specific physician requests, even down to the patient level. This allows laboratories to better service their primary customers, the physicians. This is a true lean tool in the laboratory, reducing turnaround time of the workload and reducing potential errors while increasing productivity.

Finally, the scalability of DxH platform is truly revolutionary. One can configure the system to fit the laboratory's specific needs. You can purchase a system as a bench top analyzer standalone, you can combine a system with a SlideMaker/Stainer, or you can purchase a system and integrate it as a two plus one. This is a picture of two DxH 800s and a SlideMaker/Stainer connected, fully [reflexible], and very easy to do so.

And also, you could put as many as four DxH 800s together for a higher volume laboratory. This flexible design is completely scalable, grows as the customer does, and for those who connect two or more, provides an online backup system. And this really launches our vision of the cellular analysis work cell.

So the DxH 800 is unique in its design and its value. Superior flagging of abnormals and automated review provide high quality results, while minimizing the number of manual differentials. This modularity, scalability and redundancy meets customer needs in flexible and cost effective ways.

And this considerable value, we intend to capture in our premium pricing strategy as we roll the system out. But this is not all, we now have the platform from which we can integrate hematology and flow technology in a connected, automated manner.

I mentioned at the beginning two unmet needs, 35 million manual differentials done in the US per year, as well as the better characterization of cell populations. The DxH 800 gets us part of the way there. The DxH work cell concept and modular design allows us to deploy HematoFlow. The VCS technology, which has been the core of our hematology systems for many, many years, measures cell characteristics in their native state and then with DxH 800 we've taken this technology to new heights, discriminating power and emphasizing confidence in results.

Well, HematoFlow takes us much further. It integrates, again, traditional hematology differentials with flow technology to modify cell populations and our ability to discriminate between them. This not only reduces work, but gives physicians more information to improve diagnosis. The first of those HematoFlow applications is a flow based extended differential, a white blood cell differential we call [CytoDiff], which is just short for cytometric differential.

Before I show you the potential of and value that it brings to the laboratory, just a word on our ability; Beckman Coulter's opportunity to be a leader here. Our market position really enables us to do this. Fully utilizing the capabilities of hematology and flow requires the instrumentation, it requires the sample prep station, the software and reagent expertise. We have all of these pieces and are the only company who holds a significant position in both hematology and flow cytometry.

So using Beckman Coulter's systems and methodologies, [Professor Tiri Fest] from [Marin], France recently published the results of a six-month study summarizing his experience with a reflex cytometric differential in his laboratory and what it -- what differences it made to their operation.

We've included copies of that publication in the packets that were handed out. Essentially he analyzed all samples with traditional hematology instruments and when abnormals were detected, he reflects those to the cytometric extended differential using auto-validation software to help integrate and interpret the results.

What did he find? First, a dramatic reduction in manual differentials. You remember those 35 million that were one in the US? That's a worldwide issue and problem. With just traditional hematology techniques, the lab was reviewing 25% of the hematology results that they reported.

Using HematoFlow, they reduced that number to just 3% of the total, essentially eliminating the work of three laboratory techs, moving from four to just the work of one. Out of about 1,500 total suspect samples, 1,314 required no additional follow-up work by the laboratory. That's huge, and a huge improvement potentially for laboratories who do a lot of manual reviews.

But it's also about patient care. The specificity of flow cytometry means results are more accurate, allowing doctors to make a diagnosis sooner and with greater accuracy. So HematoFlow, as I explained it here, addresses both of those unmet needs I descried at the start because it is powerfully discriminating, it's subjective and it's automatable, something we're very good at.

With the DxH platform we can now put this extended differential on an automated system and then expand the menu of tests to be offered to the hematology laboratories, in much the same pattern as we've done in chemistry and immunoassay.

The extended menu module, as we call it, will feature the extended differential we've talked about today, but expand into new parameters and disease states with significant clinical and financial burden for labs, such as CD4/8, CD34 and other high volume flow tests, as well as other types of assays that can be reflexed from hematology or whole blood applications. With a modular, scalable work cell design we can do so without slowing or disrupting the core hematology CBC workflow.

So in summary, we anticipate a series of new product rollouts over the next few years including 3-part differential systems, flow cytometers and sample preparation systems as part of our cellular analysis group. The DxH 800, however, is the most significant product introduction in cellular in the past decade.

It will command a higher price, deliver higher margins and lead us into a next generation portfolio, shown here along the top row, which will culminate in advances such as HematoFlow and the extended menu module which we are uniquely positioned to deliver.

Thank you.

Bruce Wallace: Thank you, Bruce. Good morning. Today I want to give you an update on molecular diagnostics at Beckman Coulter, an important future growth driver. I want to describe our strategy. I want to give you progress on our -- [to-date] and I want to give you a glimpse of our plans for the future.

Molecular diagnostics is an attractive market at about $2.1 billion today. Driven by the impact of molecular diagnostics on patient health and the cost of care, this market is expected to grow at about three times the rate of the routine testing market today. It will account for as much as 30% of the growth over the next five years.

This market has vast unmet need, but it has been constrained by a cumbersome process, which has restricted test performance to commercial laboratories in the larger university hospitals. Today, bringing molecular diagnostics into the laboratory requires dedicated space.

It requires multiple platforms. And probably more importantly, it requires trained technical staff, as you've heard already today, staff that most labs can ill afford to deploy. Our solution is to introduce a sample-to-result system, allowing molecular diagnostic testing to be performed in routine hospital labs by existing staff.

So, why an instrument first hospital directed strategy for Beckman Coulter? Well, first of all, it leverages our extensive channel, minimizing our investment. Second, focusing on an infectious disease menu allows us to meet the major needs of the hospital lab, while minimizing [it to] acquiring content and the expense associated with market development.

And finally, we focus on the laboratory process, as you've already heard, something we're very good at. It will hasten our payback and we'll be able to build an installed base which will allow us to introduce differentiated content in the future.

So, in order to accommodate this increased testing, clearly there will be a dramatic increase in the number of laboratories doing the testing. And furthermore, this increase will be accompanied by a migration of the testing from a high complexity minimal menu setting to the routine lab closer to the patient.

The rapid expansion of molecular diagnostics market will be greatest in this -- outside of the reference lab, particularly in the hospital segment. More than 1,000 hospitals will adopt this technology over the next ten years. And this will be motivated by cost avoidance because these labs today send those tests out.

But from the perspective of the patient, it'll be driven by the critical clinical needs requiring the testing to be closer to the patient with more rapid turnaround time. And as you've already heard, I think the laboratories will be motivated by outreach possibilities. So about a third of the growth over the next ten years will be driven -- will be concentrated in the hospital segment.

Our system, which we've called UniCel DxN, will meet the unmet needs of the hospital testing market. Our menu will consolidate infectious disease testing. It'll provide more than 70% of the needs of the hospital, including sexually transmitted disease testing and blood virus testing and hospital associated infection testing.

Our system will be based on state-of-the-art quantitative PCR methodology with seven channels of multiplexing capability. We will accommodate up to 20 reagent packs onboard for unintended operation. The system will have a capability of 200 tests per shift, fast turnaround time and reflex testing, random access and stat capability, closed-tube sampling for Chlamydia, gonorrhea testing and, of course, it'll be designed for the future connection to Beckman Coulter automation.

Beckman Coulter is uniquely positioned to in the sense -- in this marketplace in the sense that we have an existing extensive channel. And we have the capability to develop a moderately

complex device, [have] sample-to-result capability with necessary throughput and capacity and with rapid turnaround time and a random access instrument design for unattended operation. So this is the sweet spot of Beckman Coulter's capability.

So, where are we in the development of this system? So we have designed, built and we're testing fully integrated systems. This system will include an extraction purification module, a PCR module and onboard reagent storage. We have demonstrated sample-to-answer capability. We've deployed eight of these instruments in the hands of assay developers, engineers and software development. To-date we've done over 20,000 runs -- run them for over 2,000 hours. We have processed 5,000 -- more than 5,000 samples and collected an immense amount of data.

So, what's next? Well, we've already fully staffed ourselves with both scientists and engineers and in the -- for this year and next we will complete the prototype and lock in on the final design. We will have our assays integrated onboard and we'll initiate our clinical trials. In 2010/‘11 timeframe, we will have manufactured instruments. We will have assays in -- that will be finally validated. We'll have completed the clinical trials. We'll have completed regulatory clearance and we'll initiate commercialization.

So in summary, I've described our strategy, which is to develop a system allowing molecular diagnostic testing to be done in the routine laboratory. Consolidating menu and enabling testing to be performed by existing hospital staff will drive this decentralization and we also believe will facilitate growth in this marketplace.

So as we build our installed base, we'll continue to expand our menu. We'll include additional infectious disease tests for bacterial viruses, fungi, antibiotic resistance, drug resistance. We'll also add human genes to the menu, including genes that are involved with human mutations, genetic disorders, oncology and pharmacogenomics.

But now, I'd like to turn it over to Richard Creager.

Richard Creager: Thanks, Bruce, and good morning. Beckman Coulter's Immunoassay business has achieved above market growth for over the past ten years. We plan to continue this performance with a rich pipeline of exciting new products, including the new platforms and work cells that Scott Atkin described previously, as well as a number of innovative new biomarkers and a very exciting immunoassay technology that I will describe today.

Last year at this conference we described a rich pipeline of new tests that will improve patient health and reduce the cost of care. We've launched the Inhibin-A assay, which has been recommended by the American College of Obstetricians and Gynecologists, for improved prenatal testing. We've also launched the soluble transferrin receptor assay, which is a new diagnostic tool for different -- for differentiating different forms of anemia.

Over the last 12 months we've also made great progress on three exciting new tests, including the cardiac PAPP-A for the detection of unstable plaque, the placental growth factor and soluble VEGF receptor assays, which are two markers for preeclampsia, which is a devastating complication of pregnancy.

We made the decision to buy out the US royalties for these two assays because of our strong confidence in these markers for diagnosing preeclampsia . We also are developing the pro-PSA test, which is a promising new test for aggressive prostate cancers. All three of these assays, cardiac PAPP-A, the two for preeclampsia and pro-PSA, are in clinical trials and are on schedule for release in the next few years.

We are now announcing that we have developed a new and very exciting breakthrough immunoassay technology, which we are calling SPARCL. SPARCL is a chemiluminescent homogeneous assay technology, which delivers comparable sensitivity and specificity of conventional immunoassays. It's fast and simple, as it does not require a wash step. Traditional immunoassay systems have wash steps that add time and instrument complexity.

This slide shows that the SPARCL technology simplifies the development and manufacturing of immunoassay systems. It is fast and less complex because it requires far fewer steps and involves fewer mechanical devices than immunoassay systems that require washing. Less complexity translates into improved reliability, lower manufacturing and service costs for Beckman Coulter, and increased customer satisfaction.

We plan to deploy the SPARCL technology in several applications, including new chemistry and immunoassay work cells that extend our installed base in both the medium and high volume segments. We also plan to enter new adjacent markets for the immunoassay including the high throughput screening research market and, as Scott mentioned earlier, near patient testing when fast results are required for critical clinical decisions.

We've already started our assay development work using this technology, and here's an example of the SPARCL assay for troponin I. You can see a classical dose response curve showing excellent performance. More dramatically is when we tested this assay on real clinical samples. And here you can show -- you can see a comparison of the SPARCL troponin I assay, compared to our current Access troponin I assay that's on the market today.

The SPARCL assay was equivalent to the clinical Access assay -- the current Access assay in troponin -- in detecting troponin I in real patient samples. And this is truly remarkable performance. So along with our new work cells and our new tests, Beckman Coulter has developed SPARCL, a truly remarkable and dramatic breakthrough, chemiluminescent homogeneous immunoassay.

Unlike traditional immunoassays, it requires no washing. As such, it is a lot faster, it's far less complex and more robust than traditional immunoassay systems and offers improved cost for

Beckman Coulter and improved reliability and customer -- in providing customer satisfaction. We are targeting initial market introduction of this technology in the 2012 timeframe, with additional applications to follow.

Now, I'd like to turn it over to Jim Widergren for emerging markets.

Jim Widergren: Thank you, Richard. (Speaking foreign language) I'd like to -- I have the pleasure to talk to you about our emerging market strategy. We have found the emerging markets to be a very strong source of growth for our company. And despite the downturn in the economic situation worldwide, we continue to see the emerging markets as an area where we have the experience and the strategies to continue to grow both our revenue and our profitability.

We have a broad global presence. We actually sell product in most of the countries of the world. But outside of the US, Canada and Western Europe, we have a direct presence in those countries that we believe are most important and most critical and have the best opportunities.

Approximately 20% of our revenue comes from the emerging markets, but about 30% of our growth has come from these markets. As an example, these five countries have about a $2 billion market. There has been pressure on the GDP but the health care markets have been growing faster than GDP, in the mid teens, and we have been growing faster than the market.

In addition, countries such as Russia and China have announced focuses on improving the health care for their citizens. There are other diagnostic growth drivers that help in sustainability. First of all, investments in lab infrastructure, we still see rapid expansion of automated instrument bases as labs continue to deal with growing volumes in these countries.

This growth comes both from test volumes to existing menu where the economic growth is actually improving access to health care and testing so there's an increased in test volume and menu expansion. This is due to several things, both there's a westernizing disease pattern, things like more focus on cancer, cardiac, tumor markers, and a wider range of disease testing is expanding the menu.

Finally, the demographics in these countries, there's large growth both in population and in aging of these populations, which are adding to the testing volume and base. However, these markets have risks. The only way to be successful in these markets is first to understand the risks, then to focus on both mitigating the risks and minimizing these risks.

For example, it's critical to manage pricing in these environments. You have to protect your IP. Cash management is key, both maximizing cash flow and minimizing accounts receivable. You have to strongly enforce ethical business practices. You have to really understand the regulatory and the reimbursement hurdles, and you have to keep your eye on the currencies by hedging and offsetting currency effects to the extent possible.

China, as an example, we have been in China for about 30 years. We have very deep experience in dealing with China. China has a $3 trillion GDP. Today it's growing at about 9%. It's down a little bit from where it has been because of the export sector. However, the government is still focusing on improving health care within the country. Currently, government financing is a actually not the major part of the health care financing. It's still largely a private pay market in China.

However, the government is putting public funding as a priority. China has more than 18,000 hospitals, 1,000 of them are what you consider very modern hospitals. And where in the US your average hospital may be 150 or 200 beds, China has more than 250 with 800 beds and it has a number of hospitals that have between 3,000 and 5,000 beds. So there's very high volume going through these labs.

In addition, China has announced some economic stimulus and health care initiatives. First is a RMB 4 trillion, or $586 billion, not million as it shows in your handout, but billion infrastructure investment, and health care is included as one of the areas that they want to improve in infrastructure. In addition, they've announced a draft universal health care plan with an intention to try to cover 90% of the population within two years and universal health care by 2020. Part of this will be including setting pricing standards in the medical services are.

One of the most important initiatives, I think, is improving public funding of health care in the interior. Whereas, health care has improved a great deal on the more populous, more wealthy east coast of China, the government has an intention now to put an effort on improving health care in some of their largest cities, which are more interior in China, and we are preceding that push by opening additional offices and increasing our investment and presence in that part of China.

The market in China is about $800 million to $1 billion today, but we still expect it to grow 15% to 20% annually in health care. And this is driven by both urban migration and income growth and also the aging population. In China, in addition, the lab infrastructure is tied into the hospitals, which is really our sweet spot. There is a rapid migration from manual to semi-automated methods and there are growing volumes. Although there is a labor shortage, the main thing that's driving automation demand is really the huge volume that's going through these labs as more people get tested.

This is, however, a competitive environment. The international and local players are all playing along with us in this market. Dealers will continue to play a role, particularly in the more remote areas. And there's a somewhat uncertain regulatory reimbursement climate, as China continues to sort of evolve and grow their regulatory structure within the country.

So, what is our strategy and focus in China? And we have a similar focus in a lot of the key emerging markets. That is, we're going to extend the leadership position we have in China

today by continuing to expand our direct business. It was only a few years ago that through the WTO we were able to really get a strong direct presence in China.

We'll still use dealers in niche or smaller regions, but we're focusing on the key customers. That is, the top tier hospitals. These are the largest, the most sophisticated buyers; the buyers who recognize the value of the automation and the tests that we can provide. And this heightened automated -- automation interest in hospitals to handle this growing volume is really helpful to us.

In addition, we have local manufacturing of products in Suzhou, China. We're continuing to grow that expansion base. And finally, we're leveraging our FICE. This is a Foreign Invested Commercial Enterprise. This is a trading structure in China that gives us a lot of flexibility in terms of how we import product, how we sell product, and it gives us the ability to lease in China.

So the real key, the message that I want to leave you with today is that there is growth, there is opportunity in emerging markets, but you have to say focused. We have to stay focused on the right customers in the right countries, and really understand and minimize the risk to continue to build the strong base and remain the leader in these markets.

Now, I'd like to introduce Charlie Slacik for a financial update. Thank you.

Charlie Slacik: Good morning, everybody. As Scott mentioned in his opening remarks, today's discussion is primarily intended to be a discussion about the future pipeline and future growth drivers. But we did think that today would be a good opportunity to give you all an update on the financial status of the Company and our outlook about the business. At this time of the year it seems like a good time to do that.

If there's three messages I'd like to leave -- I don't have an extensive financial presentation for you all today, but if there are three messages I could leave with you all today it would be these -- that we have a very stable base of business. It's stable not only in the amount of revenue we have from our recurring revenue base, but it's very stable in its growth and our confidence in that growth as well.

Second message would be that we do have the ability and the willingness through operational excellence to improve profitability, especially in the face of somewhat uncertain economic times. And the third message would be the commitment from Scott and the management team towards building investor value through improving earnings and margins of the Company, while continuing to invest in the growth opportunities that you've seen this morning. So that'll be the theme for my talk this morning.

Major topics; talk about these revenue trends, our recurring revenue base, our capitalization, particularly given the economic -- the financial market situation, our approach to currency risk,

and then I'll talk about some of our cost reduction operational excellence improvement measures. And finally, talk briefly about our update on '08 and '09 outlook.

After seeing a lot of the presentations this morning, you can see that the Company has a very rich pipeline for future growth drivers, both from new products and from geographic expansion, in areas where countries are building out their health care systems. But, I'd like to go back for a minute and talk about some of Scott's opening comments about our recurring revenue base on the existing business today.

I like to talk a lot about the consistent top line growth rate we had, but it's not always that obvious from our financial results. So even through some of you may have seen a couple of these slides before, and I'll apologize in advance, I think, to me they do tease out the key points I'd like to make.

Going back a couple of years for many of you, you already know that we went through a transition in our business model in '05 where we converted from being an STL business to an OTL business. Well, in the course of that change, as you can see, in 2004 was the last year before this transition where we had a revenue growth rate of 9.8%.

In 2005 and 2006, we went through this conversion where essentially $200 million of revenue was converted from sales type leases to operating type leases, so that revenue trend got depressed for two years. But as you can see, in 2007, the first year of an apples-to-apples comparison, the Company came out of that cloud, if you will, showing that the rate of growth was in fact very similar to what it was when it went in at 9.2%.

And if I look forward to this year, 2008, in terms of our expectations, our growth rate we expected -- as reported in our press release last night, we expect to grow 12%, of which about 3% will be currency. So you can see over this period of time from 2004 right through to today, 2008, our growth rate has been very consistent. And, why is that? Clearly, it's the recurring revenue base model.

This slide shows, for the last three years over a quarterly basis what the trailing 12-month growth rate has been. As this shows, the [OTL] conversion we've experienced a very consistent 10% to 12% by trailing 12-month growth rate on the recurring revenue base which, as you all know, is comprised of samples, test kits, service, royalty revenue and OTLs. In the most recent quarter, this base of business, as Scott pointed out earlier, represents 78% of our total revenue.

So, our value proposition is that [with] this large stable base of business, not only stable in its amount but it's a stable growth rate, we should be able to deliver very predictable, sustainable growth in not only revenue, but earnings.

Now, here's an interesting contrast. And most of you already know this is my favorite slide. It demonstrates the contrast in both rates between the recurring revenue base in [cash sales]. So when you look at our financial statements, sometimes you'll see rate or growth that don't look all that consistent and it's driven by the cash sales of instruments.

During this period of time over the last three years, when you look at quarterly growth rates, you'll see -- and this is not trailing 12 months, this is actual quarterly growth rates, you can see for the large light blue bars on this chart that the recurring revenue 78%, 80% of our business is growing within the range of 7% to 9% every quarter. That contrasts rather interestingly to the dark blue boxes, which show cash sales.

Now, cash sales, as you probably all know and as Scott mentioned earlier, represents our life science products, diagnostic products outside the United States, primarily in emerging markets where some of these products are sold for cash, and also large IHN accounts with automation, as Scott Atkin talked about earlier. All these sales could be somewhat large and very unpredictable.

Here's an important thing to note about this. The Life Science business, which makes a large part of those dark blue boxes, is run for profitability. As we've talked about over the last years, the purpose of that business is to generate profits to fund the growth for diagnostics. I think the chart Scott put up earlier that shows our R&D projects, prior years to current years, clearly demonstrates that our investment dollars today go into diagnostics. They're funded by the life science products.

And so, as we look back and look forward at life sciences, we see we've had a good run on the life science business this past year. It's given us a great opportunity to investment spend in diagnostics. As we look forward, clearly with the economic situation we see, there is the potential for that rate of growth slowing and so we'll take a cautious outlook towards life science projection, and therefore a similarly cautious stance towards spending relative to what we'd expect to get from the life science products going forward for the next year.

One of the other risks we have in our business I'll talk about briefly is FX. And here's a few comments on our approach to how we deal with this volatility. As you all know, half of our revenue comes from outside the United States. And as some of you may know, roughly almost all of our production costs come from US based facilities. Our cost of goods is primarily dollar driven.

We do hedge the majority of our business outside the United States, primarily in the five major currencies that you see up there, which represents about 70%, 85% of our business. We do an effective job of doing this, and particularly as the dollar strengthens, we will be able to offset the majority of any operation -- op margin compression from currencies through our hedging program, which shows up below the op income line.

Conversely, if the dollar weakens, we get the benefit on the operating margin without any downside from the hedges, since they're all effectuated primarily through option contracts. So that's how we essentially cover our FX exposure.

Now, just staying with the risk issue – capitalization. Given the fact that we have a very stable business model, we also feel that our approach to the balance sheet should be equally stable and conservative. Now, we have a very strong balance sheet. We are rated investment grade by all three of the rating agencies.

What many people don't realize is that with the change in the business model from the middle of 2005, we have been funding a major change in that business model, taking us from a company that sells instruments, to a company that leases instruments.

And so as a result, since that conversion has taken place, we've been building our balance sheet at the rate of $200 million a year of OTL assets, which will convert us to that leasing model through a five-year conversion program, and we're roughly two-thirds of the way through that today.

But when it's done by [mid '05], we'll have added approximately $1 billion of fixed assets to our balance sheet, which, although it might inversely or negatively affect some margins like [ROIT], what it does for us, though, is deliver that stable base of business through that leasing model that we've built.

So we have built a balance sheet to handle that change in the business model two years ago we issued a convertible offering of $600 million, which has about as 2.5% coupon to net share settle and has a put call in -- to the first time in [2013]. We also have about $250 million of long term debt, first maturities coming in 2011.

And we also have about $425 million of credit facilities, a basic $300 million facility, which expires in 2010. And we also have a securitized facility which effectively uses our lease receivables to borrow at lower rates, for about $125 million. We've also recently renewed our shelf registration last month -- or, I think it was this month, which is just a renewal of a prior shelf.

So with that discussion, let's talk about updates to our outlook for 2008. Since we're halfway through December, we do feel confident in giving this update at this point. Recognizing that the fourth quarter of the year is a large quarter for us -- it's a large hardware quarter because it's a big one for life sciences, but with that, the update that we offered last night in the press release in which I'm giving you now, reflects the strength of the dollar where it stands today, which has been somewhat dramatic since October.

And we do feel confident that revenue will be up about 12% for the year. Operating margin will be consistent with prior year between 11.5% and 12%, and we think the non-op expense will probably be closer to $48 million than our previous estimate at $45 million.

Tax rate will be between 26% and 27%, which I believe is consistent with what's out -- what has been out there, and EPS -- we still feel comfortable between $3.55 and $3.65. And again, the only reason we haven't narrowed that margin is just because the fourth quarter is a large quarter for us, particularly related to hardware sales.

Other important metrics to us that I'd like to just update, CapEx is a renewal of that estimate. And interesting to note, just want to reiterate this change in our model, CapEx for us will grow 7% to 8% probably at most this year, while the D&A in our model will grow between 25% and 30%. This is the effect of that change in the business model.

And as a result, one of the more interesting outcomes of this is even though our earnings will grow in the low single digits, you can see that year-to-date our EBITDA has grown 16% and our guidance at $625 million will be up 15% versus prior year. And that's a result of the D&A growing in an accelerated rate and catching up with the CapEx, therefore growing EBITDA at a greater rate than earnings.

As we look to 2009, what's going to be different? Accounting for convertible debt, as I mentioned, we do have a net share settle convertible debt offering out there and the results of that will be a change to earnings of about 12% to 14% between '07 and '09.

As many of you know, this is a restatement accounting change and so it won't -- it will not affect our growth rates, it'll just affect the total EPS. And that basically derives from a non-cash new interest expense, which is derived from amortizing down the debt to new interest rates. So important to note that the non-cash charge we will be restating starting in '09 and that will affect '07 and '08 as well.

I think it's also important to talk about pensions. I know there's a lot of concern about pensions. Anybody who has a defined benefit plan out there, it's obviously had some impact from the change in the market. We do have a defined benefit plan, but it was semi-frozen three years -- two years ago. And it was frozen to new participants, even though the existing participants continue to accrue benefits.

But when the year started, our plan was over-funded over the -- in excess of 100%. We have no plans at this point to change our funding policy for that. We continue to fund as is. And if that is the case and we continue to do just the minimum funding which we had been doing, which would be not necessarily taking account of any change in the market, we'll continue to fund as we had. And at this point, if we follow that pathway, the worst downside to that would be an impact on earnings of $0.10 to $0.15 into 2009.

So -- and I will in a couple of slides give you the net of all those changes. But first, I'm going to talk a little bit about our savings program. As I motioned in my opening, we have a very refocused, reemphasized effort on profitability and operational excellence. We started this effort a couple of years ago with our lean six sigma efforts and these efforts are really gaining pace, and the rubber is meeting the road in terms of giving us benefits.

For 2008, some of the programs that'll be completed will be the closure of our Palo Alto facility, which I believe is closing this month, and the production of centrifuges. It's be completed and moved to Indianapolis, saving us about $7 million a year on an annualized basis in '09.

We've also completed our consolidation of distribution facilities in the United States, moving from five down to two. And, we've also consolidated our printed circuit board production from two down to one. And finally, in Miami we've closed six small facilities and consolidated those as well.

In 2009, just to give you a feel for our commitment to operational excellence and profitability, as some of you may know we recently announced that we're closing our largest facility in California, which is our headquarters facility in Fullerton. We currently have two campuses, one in Fullerton and Brae, which are about five miles apart. The facility we're closing is about 600,000 square feet of combined office and manufacturing space.

And just to a feel for what lean six sigma can do, we'll be able to close this facility and move all that manufacturing and back office activity into a previously existing site, basically due to the fact that we've been able to free up a fair amount of plant and office geography through lean initiatives, to allow us to close this major site and save $5 million to $7 million next year. So, I think that is as much a statement about dollars and cents as it is about commitment to make change and improve efficiency.

Now, going beyond that, in 2009 we're also introducing some new concepts, which we call zero overhead growth and negative overhead growth. And these initiatives will be doing exactly what they infer, which is freezing spending on overhead at zero or negative rates compared to 2008. We're doing this to improve our operating margins. We're doing this to offset lower cash sales, which we do expect next year, and we're doing it to offset potential strong dollar impact, which could happen as well.

So some of the variables we've talked about -- pension fund contribution won't change, pension expense will. Our convertible accounting will give us a 12% to 13% change in accounting for all years, but will not affect our growth rate. Cash instrument sales for obvious reasons we would expect to be a little bit softer in 2009, both because 2008 was a very good year and because 2009 could be impacted by a slower economy.

We're taking that into account as we build our plans, which we've been working on for several months now, taking this all into account to build a plan for '09 that will deliver a result that we think shareholders deserve and would expect from a business that's in health care with a stable base of business. We've also put into place the currency hedge programs to pretty much offset a lot of the strong dollar impact, at least on earnings.

So for '09, I'll just wrap up with this slide. This is the same information that we put out in our press release last night, but here's what we expect for the year in front of us. We expect the recurring revenue base to continue to grow at the pace it's been growing at, which we expect to be approximately 7%. And remember, that effect is approximately 80% of our business. For the business that's not recurring revenue, we expect flat to down. Whether that happens or not, we'll go into the year with that expectation.

And so as you can see on the next slide, we will calibrate our spending -- our investment spending with that expectation in mind. So, we'll go into the year with a conservative outlook on cash hardware sales, particularly from life sciences. And so, therefore programs like zero overhead growth and negative overhead growth will allow us to offset that down side on cash sales, to allow us at the end of the day to deliver an EPS growth rate of approximately 10%.

So, those are our plans for the year. That's our expectations. Obviously, there's a lot of uncertainty looking forward today, but as we stand here talking to you today, that's what we think we can deliver next year.

So I think with that, we'll wrap up the presentations and we'll take any questions you may have.

Scott Garrett: I've just got a few --

Charlie Slacik: Oh, sorry.

Scott Garrett: -- few summary comments before we go into questions. I just want to remind everybody of a couple of points that I made earlier on we're a health care company. Demand for our products tends to be insulated to some degree from most of the economic issues that we're facing.

You think about it for a second, you -- 80%, 85% of Americans have an insurance card that pays for a big part of their health care. You don't have a card that pays for automobiles, you don't have a card that pays for groceries, but you do have a card that pays for health care.

Go outside the United States and what's the situation? It's a one payer system in most of the developed economies; the government pays for health care. Now even in times of economic stress -- in times of economic stress, governments may decide they can't afford to pay for all the health care anymore. But I think that's a very likely, a very delayed and very thoughtful and

careful decision that governments around the world will be making. So in many ways, the underlying demand for our products is somewhat insulated at least from the economic turmoil.

So, health care company, number two, the installed base model, very stable, very certain, generating recurring revenue, 80% of our sales is recurring and therefore gives us a bit of a buffer, at least -- I think we should be able to say a bit of a buffer against some of the uncertainty that most companies -- most public companies are facing today. And also reminding everyone that we are a global company and we're not as subjected, therefore, to changes in the US.

Now I mentioned and Scott Atkin also mentioned, that many labs in the -- and many hospitals in the United States are beginning to see their labs as profit centers rather than cost centers. As of the first of January, the laboratory reimbursement fee schedule goes up for the first time in, I think, eight years by 4.5%. That has been passed, it's in place, it's going to happen.

So all those outreach and outpatient tests are going to be worth on average about 4.5% more dollars to the hospitals than they were before. Another factor that's likely going to make hospitals more likely to continue to improve the productivity and efficiency of their laboratories rather than cut back. I've spoken with some hospital CEOs recently and while I can't tell you that any of them is planning to build a new building just to house a lab, all of them are interested in improving their productivity.

Many of them going ahead with automation projects that are starting as early as in January of 2009 without any trepidation about how much capital it's going to cost them or whether they can afford it. They can see this as an improvement in the productivity of the hospital and an improvement in what's become an important profit center for the hospital.

So Charlie and I are ready to take your questions, as are the other speakers from today. Yes, Peter?

QUESTION AND ANSWER SESSION

Pete Lawson: (inaudible - microphone inaccessible)

Scott Garrett: We are webcasting, so we have to make sure that the questions are heard.

Pete Lawson: Pete Lawson, Thomas Weisel Partners. With China, you must be more cautious heading into 2009 and what's the percentage of revenues coming from there that comes from private versus public pay?

Scott Garrett: Jim, do you want to take a shot at that one?

Jim Widergren: Well, in general in China, about 60% comes from private pay, about 40% comes from government. And those are rough estimates because it's hard to get good statistics in China.

But the government's intention over time is actually to increase the government proportion and decrease the private pay because that's been a swing over the last ten years to more and more private pay, which is increasing the discrepancies between the wealthier part of the population and the population that does not have as much access to healthcare, and their intention is to try to level the field more.

So that's part of this draft announcement they put out in October is that they're going to head more towards government funded system as opposed to the current majority of private pay system.

Pete Lawson: And then again on China, what's the percentage of revenues coming from cash, versus reagent rentals?

Jim Widergren: Reagent rentals are still relatively low in China. Leasing is a relatively new concept. It was only about two years ago that we were able to get a leasing license. We were the first on in our industry to be able to get a leasing license. And so, we're having to introduce the concept of leasing to Chinese hospitals in addition to growing leasing. So leasing is still a small proportion of the business, but it is growing.

Unidentified Speaker: But recurring revenue is the majority of the --

Jim Widergren: That’s leasing of the instruments. However, yes, recurring revenue in terms of the consumables, the reagents is still the majority of the income on the instruments that have been sold.

Scott Garrett: Sara?

Sara Michelmore: Thank you. Just two financial questions. First, you spent most of the program talking about all these areas that you're investing in and then we sum up saying that the expenses are going to be frozen in some areas next year. So I'm just having a tough time trying to reconcile where the incremental investments are. And you're obviously taking capacity out of somewhere in the business, could you specify exactly where the cost reductions are coming from?

Scott Garrett: Well, primarily in infrastructure overhead. Charlie talked about zero overhead growth, negative overhead growth and that's corporate support, a lot of the SG&A categories. We'll continue to make select investments that will show up in operating expenses in areas like China, in India, in some of the major development programs.

But for the most part, we've done a reprioritization of our overall list -- long list of very attractive projects, and we're funding the top projects for success. When we get those done, we'll move down the list. So we're, in essence, keeping most of our expenses virtually flat.

Sara Michelmore: Is there a lot of incremental R&D expense in the budget next year, or have you invested a lot in the coming [year]?

Scott Garrett: Well, we've closed off a couple of very big programs in 2008. The three new work cells that Scott Atkin talked about, virtually done. We expect them to be cleared by the FDA literally within a week or two.

The DxH program in hematology that Bruce Bartholomew described, literally done. Just waiting for the last couple of approvals from FDA on that one. The amount of R&D spending on those two was probably right at the top of the list in 2008 and they dropped down to very minimum levels of R&D.

So we've had the completion of those two projects permitting us to redistribute that spending to other projects, increasing the spend on a lot of projects without increasing the overall spend for the Company.

Unidentified Company Representative: Can I just add in --

Scott Garrett: [Did] you follow that?

Unidentified Company Representative: On DxN, we ramped that up from zero to almost $30 million over the past two years and that's reached a run rate in '08 that doesn't have to expand significantly in the future.

Unidentified Audience Member: Just last question on cash flows for next year you talked a little bit about '08, but assuming you have less cash instrument sales less [life] instrument sales, which I know are a disproportionately big part of the cash flows relative to their revenue base for the Company, what is the -- what are the cash flow statistics looking like going into next year? Thanks.

Unidentified Company Representative: We haven't built up our projections for next year quite to that level of detail yet. So there's certain questions on '09, I think, we just have to -- I probably should have mentioned earlier, we'll give specific guidance estimates when we give the fourth quarter results at the beginning of February. I think it's [Feb. 9]. There it is it's Feb. 9.

Unidentified Company Representative: And, Sara, it's not necessarily true that cash instrument sales drive a disproportionate amount of cash flow. The gross margin on instruments tends to be quite a bit lower than on recurring revenue, so the vast majority of our cash flow is coming from recurring revenue.

Charlie Slacik: And the other point about '09 and business modeling is that this year the depreciation and amortization is -- still has a $40 million to $50 million gap relative to our CapEx spend and in '09 that gap will close by another $40 million. So that will make a significant change to the EBITDA and the cash flow numbers for next year.

Scott Garrett: Okay, next?

Unidentified Audience Member: (inaudible) Morgan Stanley. Just to clarify something first, is the pension related expenses included in [EPS] guidance of 10%?

Charlie Slacik: Yes. I'm sorry, should have [mentioned it] but those projections I gave do include the additional pension expense that we anticipate.

Unidentified Audience Member: Okay, great. And what gives you comfort in your 5% constant currency [hurdle] so early in the year, how do you go about risk adjusting for instrument sales emerging markets and all those risk factors?

Charlie Slacik: Well, when we think about it, 80% of our business is recurring revenue. And the first three slides that I put up, particularly the ones with the bar charts, demonstrate that that revenue growth has grown between 7% and 9% for the last three years on 80% of the business.

And if you think forward and say, well, what about the future, maybe just to reiterate something Scott said, of that 80% of our business that's growing 7% to 9%, next year only 20% of that is going to turn over in terms of contracts. And of that, we generally renew 85% of that. And so, that's why we have a fairly high degree of confidence that the growth rate of that recurring revenue base isn't going to change much in 2009.

Unidentified Company Representative: And the primary demand for health care, while although some of it might be discretionary, it's only a small fraction of health care demand that's driven by discretionary decision.

Charlie Slacik: Just maybe drawing a point Scott made earlier, if you think about that lab in a hospital in 2009 whose contract is coming up for chemistry analyzer, when that analyzer cones up for renewal in 2009 that's been on lease for the last four years, he doesn’t have to go to the C suite to get approval for a CapEx expenditure.

It's no different than you or I going and renewing -- or getting a new car on lease. One lease end, you drop it off, you pick up another one. It's no different for us in that 80% of our business, where literally they just return one analyzer and get another one. And it ends up being just a part of that laboratory director’s budget -- his operating budget. There's no capital budget involved with that.

So essentially when one analyzer runs its course, they just pick up a new one. And the only difference between that example and the car example I gave is that pricing doesn't go up much, so you don't even probably have to have a larger monthly payment with the new analyzer.

Unidentified Audience Member: This helps. And I guess the last question on molecular products, seems like the timeline has been pushed out slightly. Do you expect any [dips] in the market in 2011 or 2010?

Scott Garrett: We're very confident that we're on track and we want to be careful to make sure that the instrument is as reliable as possible, it really meets all the requirements, and we're really creating this system from scratch from the first time. So, it's not the most predictable timeline of any project that we have.

However, we're very confident that we're on track. We do have some choices and some decisions to make. The sooner we make those decisions the faster we'll get to market. But some of these decisions will have a long term effect on the reliability and the cost of the instrument.

So we're not taking those decisions lightly. We're going to run all the experiments we need to run to make sure we have the very best possible approach to this market. We've always said that we would be among the first with a sample-to-answer system for the hospital laboratory. We think we very well could be the first. But as long as we're among the first, we think we're going to have a very successful and a very profitable business.

Tycho Peterson: Hey, it's Tycho Peterson here. For hematology, you talked a little bit about the premium pricing strategy there. Can you talk about the competitive dynamic in the market right now and then how you think a premium priced product will stick in the near term?

Scott Garrett: Bruce, would you like to handle that one?

Bruce Bartholomew: Yes, I'll give it a try. You mentioned the competitive dynamic in the market. Were you --

Tycho Peterson: Yes, some of these other competitors.

Bruce Bartholomew: Yes. It's no secret that Beckman Coulter over several years has lost market share to -- in hematology. Over that time, we've developed a system that offers what we believe are a package of features and values that deliver more than we have in our previous level of systems and will give the customers the opportunity to reap an economic benefit both in labor savings, in quality of results, lower flagging rate, a variety of features that provide a higher economic value to the customer. We need to share that value with the customer.

We feel like we -- there's a position for a system with a higher value proposition and that's what the DxH 800 is going to be. Do we think it's the right system for all the markets? Not -- probably not. But, we're confident that there's demand for our system. We have many customers we talked to over the last year and a half who are ready to write us a PO as soon as we get our FDA clearance. So the response from customers has been very, very positive so far. I'm very optimistic.

Scott Garrett: We expect to have a very careful and controlled rollout of the DxH and we therefore have a lot of confidence that we can establish it as a premium priced instrument, very different from what's been in the competition's hands over the last several years.

Tycho Peterson: Okay. And then maybe just one on the Life Science business. Can you give us a sense as to what you're expecting for the coming year? Obviously, you're modeling potentially for a slowdown. I did hear, I think, about some selective reinvestment in some products. There was a --

Scott Garrett: Sure. We continue to invest in centrifugation where we have a very strong position. We're literally the leaders in the ultra-high speed and the high speed segments of centrifugation. Quite profitable. And, we'll continue to maintain the level of investment necessary to keep us in that leadership position. But we're quite secure. It doesn't take a lot.

And, the whole family of products that have a basis in our capillary electrophoresis technology. These are sequencers and analyzers that are used more and more often in the quality control of monoclonal based pharmaceuticals. We continue to invest there to -- in response to the demand for these products. And we see that as an important area of growth within life science where we have -- it's a very small niche but we have virtually uncontested position. And so, it's very profitable. We continue to invest for growth there.

Thirdly, in life science automation, we continue to be among the leaders in life science automation. It's an important part of our business, continues to be profitable, and we're -- while it only takes a small amount of investment, we are renewing and continuing at about the same level '08 to '09 in our investments in life science automation.

We also have a segment of life science that we refer to as our tools business. And that segment of the business is being literally managed for profit and very little investment, if any, is going into that segment.

Does that answer your question, Tycho?

Tycho Peterson: Okay.

Scott Garrett: That's -- who's got the mike? Got one here.

Tom Clancy: Hi. [Tom Clancy] with the Philadelphia Trust Company. Just two quick questions. The first is, your R&D expenses had a lot of noise in the last couple of years with in-process R&D and some other things thrown in there, what do you expect as a percent of revenue? What should we look for over the next five years for that to be --?

Charlie Slacik: There have been some licensing fees, particularly related to building out the DxN project over the last couple of years. That's an organic project but getting some licenses has been a part of that program. And so, that's what's probably giving the noise that you mentioned in terms of the fees.

But going forward, I think as we talked about particularly relative to Sara's question, we feel like we've got to spend right on R&D at this point. That's a healthy run rate for us. And as Scott pointed out, what we've done through this past year is we've gone through a brutal prioritization process to essentially eliminate spending on projects that really weren't core to these projects that we talked about today.

So we won't see -- maybe the quick answer to your question is the R&D spending would be subject to our zero growth program next year, so what we've essentially done is, using that filter of zero growth, we have reprioritized all of our projects from top to bottom to make sure that the most important projects, primarily the things we talked about today, are not being slowed down. But anything that really doesn't make that top list essentially gets deferred.

Tom Clancy: Okay, great. Thank you. And the second question I had was probably for Scott. What are you expecting from the purchasing environment, particularly as the US health care landscape changes and also with China increasing the government participation? What are you expecting in terms of the buyer capturing your value (inaudible)?

Scott Garrett: Well, first of all, the hospital customers have been -- have been tough customers for a long time. And, do they get even tougher in an environment like this? Maybe so, but I think they also become more susceptible to a discussion of real value and productivity.

And when it comes to automation, when it comes to work cells, when it comes to the features and benefits of a new hematology analyzer that Bruce described for us, we think we can win on the basis of the ultimate cost that the hospital and the lab incur and not just a price per reagent.

Now, do we run up against price per reagent materials managers from time to time? We sure do. But oftentimes we can get past that now, selling on the basis of the value of automation and the value inherent in our individual systems.

In an IHN situation where there's a standardization program underway and maybe five or six different hospitals come together in an integrated health network and say, well, we're going to go with one brand of chemistry and let's see how good a deal we can cut. It starts out with a features and benefits contest. And literally -- virtually, we win almost all the time on that basis.

The lab committee recommends us to materials management and materials management sends it back and says, no, we need at least one other finalist so that we can beat them up a little bit on price. But we tend to win often, even in those IHN situations, with a pretty good price proposition to our customers, but oftentimes not the low price because there is a bias for our products because they do so much more for the laboratory in many of the disciplines that our competition does.

So is it tough out there? Yes, it's tough and it's going to get tougher. It's even -- as you saw in that one slide, good years, bad years, up and down, the diagnostics industry has somehow found a way to grow 4% to 6% year in and year out. I expect that the recurring revenue model and the move to more profit centers for labs and fewer cost centers for labs is going to play to our advantage there.

Other questions? Right here and then over here.

Pete Lawson: The 2011 debt, do you have any plans for that?

Unidentified Company Representative: 2011?

Pete Lawson: (inaudible - microphone inaccessible)

Unidentified Company Representative: Not yet, no. That's the $235 million? No, I think the last thing I'd want to do is (inaudible - audio gap) this market right now just because [the de-rating]. But no, I think I feel comfortable between now and two years from now there'll be a decent window open for refinancing.

Pete Lawson: And IHN?

Unidentified Company Representative: Yes?

Pete Lawson: What percent of your market is that?

Unidentified Company Representative: Well, it's a very small part, Peter. And I don't have a number in mind, but think about the installed base again. In the clinical side of the business, average lease is five years long. We retain about 85% of our customers so that that 20% that would be characterized as in-play in any given year, 85% of that is retained.

So 15% of the 20% is likely at risk. And for the most part, that represents a real contest, whether it's an IHN contest or it's a big teaching hospital that decided that they want to go -- open up for all comers. We win some of those, we lose some of those.

In general, we do very, very well with IHNs. I think it's primarily based on our capabilities of our systems and the breadth of product line that we have -- breadth and depth. So different sizes hospitals, while they want to standardize on a brand, they probably aren't all going to use the exact same chemistry analyzer or immunoassay analyzer or the same configurations and work cell.

But with Beckman Coulter, they can get a highly comparable result in multiple sizes of chemistry, multiple sizes of hematology, multiple sizes of immunoassay, and the most different -- the most configurations of work cells between chemistry and immunoassay. Throwing to that mix, the fact that we're still far and away the leader in automation and we have a pretty strong poker hand anytime we're in front of an IHN.

Yes?

James Francis: [James Francis], Morgan Stanley. Two questions about currency. First, can you give us an idea of what kind of expectations for foreign exchange are built into your EPS guidance of 10%? Is that just assumed that --

Charlie Slacik: Where is today exactly?

James Francis: The rates [they are] -- okay, great. And secondly, if the dollar were to strengthen materially from here, would the 70% to 85% hedge figure that you gave earlier be the right one to use, or have you been more aggressive on hedging?

Charlie Slacik: Right, well, if the dollar strengthens, there has been some varying degrees of change relative to currencies. Obviously, the euro is -- versus the pound has moved not proportionate to the dollar. But relative to those five currencies which make up, I think, about two-thirds of our overseas business, the way you can think about that is we are able to offset about 70% to 75% of the downside op income losses as the dollar strengthens against those five currencies. And we don't hedge the others because it's just not cost effective to do that.

James Francis: Great. Thanks.

Charlie Slacik: Does that answer your question?

James Francis: Yes, thanks.

Charlie Slacik: Sure.

Unidentified Audience Member: Can you just talk a little bit about maybe the longer term content strategy for DxN? I mean you don't have HPV out of the gate, so are there other kind of categories and is it going to be really a true partnership? And, how do you look at adding additional content?

Unidentified Company Representative: So, we prioritize our menu based on meeting the unmet needs of the hospital customer. So just taking HPV as an example, as you know today, HPV is primarily provided by one company and there's some new entrants, but it's primarily a centralized situation.

The question we would have to ask ourselves is how -- what is the advantage to the hospital to decentralize it. So that's one question on the table so we will evaluate that vis-à-vis prioritizing the menu.

And then the other more important thing is that content available and not all content that's desirable is going to be available for us, and so we'll just have to play it that way. But a lot of the content is either public domain or readily available, and so these are the tradeoffs that we find ourselves making.

Scott Garrett: We're going to be in a wonderful position with the DxN in that every test that is available will represent an improvement in turnaround time for the hospital and a substantial cost reduction for the hospital. So we come out with anywhere from five to ten to 20 tests at the initial launch.

Every time we have another one, we can compare it to very likely what it's costing you to send that out today. And the fact that a lot of doctors aren't even ordering that test because they know it's too expensive and by the time they get the test results they'll probably want to have a therapy started with a patient anyway.

So bringing in a new test is going to save them money, improve the clinical practice and improve patient outcomes. It's just a wonderful position to be in and I think we can look forward to a long term menu expansion program that there's never, ever going to be a definition of, well, it's not complete. I think it's just going to be a continuing process of adding, very much like the very early days of non-isotopic immunoassay.

In the 1980s you saw first the therapeutic drug monitoring test got off the radioactive system. Then it was drugs of abuse. And ultimately thyroid and then cancer. It's just a steady march of new tests. And every time you have one, customers are going to say, well, that's better than what I'm doing today. I sure would like to have that. So I don't see it so much as a race to a defined finish line. It's just an opportunity to continue to bring more and more value into the routine clinical lab.

Unidentified Company Representative: Another thing worth mentioning is that an installed base business tends to attract content. So and we've been very successful in our immunoassay business with that strategy and I think that's another piece of the puzzle.

Scott Garrett: So other companies that have designs on doing nucleic acid based diagnostics may very well decide that they'd like to have an application on our machine rather than go through the time, effort and trouble that we are in developing a machine for the routine clinical lab.

Other questions? Okay. Well, one more.

Unidentified Audience Member: When you talk about this steady performance during unsteady times and you're going back over the past eight years and it looks like things right now are probably quite a bit different than they've been at any point over the past eight years, [and unemployment is] going to be quite a bit higher than the 6% here in '03. Seems like deductibles are much higher than they've been in the past. Can you just give us a little bit more color as to how bad can things get in either --

Scott Garrett: How bad?

Unidentified Audience Member: -- in patient volume, outpatient volume, elective procedures dropping? Just what are kind of the bookmarks on a bad case or worst case scenario in your mind?

Scott Garrett: Well, you try to think about worst case scenarios and if you looked at all the discretionary health care, all the elective surgeries, even those elective surgeries can't be postponed forever. So how bad can any single year get? I suppose you could see a significant drop in admissions, you could see a significant number of people losing their health insurance as they become unemployed. But, there is a safety net in the US and there's more than a safety net in most of the developed countries of the world.

The overall demand in health care is based on demographics and disease epidemiology and that's not going to change dramatically. So I think there's a case to be made for, yes, you can see a falloff but in those times, if it gets that bad, what are the other industries going to look like?

If it gets to the point where people in critical need of health care can't get it, what else is going to be going on with the economy? So I think even then, by comparison, a health care company with an installed base model and recurring revenue will be a good alternative to most other investments.

Okay, thanks very much. We appreciate your interest in our company. And we believe -- I believe lunch is available nearby. Thank you.